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**"The Resources and Core Competencies Enabling Rapid Internationalization of  
Knowledge-Intensive Born Globals"**

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## ABSTRACT

Born Globals are small- or medium sized companies that internationalize very rapidly within a few years after establishment, although they lack necessary resources and capabilities that influence their internationalization abilities. The research objectives of this study were to identify what are the most important resources and core competencies that enable the internationalization process of the knowledge-intensive Born Globals from the ICT-industry. Additionally, this thesis concentrated on what are the benefits and challenges arising from the resources and core competencies that Born Globals require when internationalizing rapidly.

The empirical part of this study was based on three case studies of Finnish knowledge-intensive ICT Born Globals. A multiple case study approach was selected to achieve the research objectives. The case studies were conducted by doing in-depth interviews of the founders and managers of the case companies.

The key finding of this study was that the most important core competence for the Born Globals that has enabled their successful internationalization process has been their abilities to create good customer relationships. By having good customer relationships Born Globals are able to get important feedback about what their customers want and need from their products and when they need them. By communicating this feedback effectively to the internal product developers, the Born Globals are able to use their technology resources and capabilities to develop innovative and unique products and time the product launches correctly, resulting in excellent market positions and business opportunities.

Also the ability to standardize products, but being able to adapt or localize them efficiently has been a key success factor and a core competence for the Born Globals. By having standardized products, the Born Globals have been able to use their core product in a number of products easing their product development processes and enabling them to internationalize rapidly and successfully.

The major challenges for the Born Globals have been the lack of time as well as lack of financial resources. The lack of time has resulted in that the Born Globals have needed to hire external human resources, such as consultants, or use external partners and networks as a sales and distribution channels. Furthermore, the lack of financial resources impacts all the other resources, by hampering the possibilities to hire new personnel, for instance. This has resulted in slower internationalization process.

The benefit for Born Globals using their scarce resources and core competencies effectively is that they have been able to internationalize rapidly and successfully. Internationalization results in larger customer base potential, because Born Globals operate usually in niche B2B markets, where there are not much of potential customers. Being in multiple markets simultaneously increases the sales and revenue potential.

**Key Words:** born global, knowledge-intensive, ICT, internationalization, resources, capability, competence, core competence, SME



## TIIVISTELMÄ

Born Global yritykset ovat pieniä ja keskisuuria yrityksiä, jotka kansainvälistyvät nopeasti muutamassa vuodessa perustamisesta, vaikka niiltä puuttuukin tärkeitä resursseja ja osaamista, jotka vaikuttavat heidän kansainvälistymiskykyihinsä. Tämän tutkimuksen tavoitteena oli identifioida mitkä ovat tärkeimmät resurssit ja ydinkompetenssit, jotka mahdollistavat tietointensiivisten ICT Born Global –yrityksien kansainvälistymisen. Lisäksi, tässä tutkimuksessa keskityttiin niihin hyötyihin ja haasteisiin, joita tulee niistä resursseista ja ydin kompetensseista joita tarvitaan nopeassa kansainvälistymisessä.

Tämän tutkimuksen empiirinen osio perustui kolmeen case-analyysiin tietointensiivisistä suomalaisista Born Global –yrityksistä. Tutkimustavoitteisiin päästäkseen, case-analyyseissä tehtiin syvähaastattelut case-yritysten perustajien ja johtajien kanssa.

Tämän tutkimuksen tärkein löyty oli että hyvät asiakassuhteet ja niiden luominen ovat tärkein ydinkompetenssi onnistuneessa kansainvälistymisprosessissa. Hyvien asiakassuhteiden vuoksi Born Global -yritykset saavat tärkeätä palautetta ja tietoa millaisia tuotteita tarvitaan ja milloin. Käyttämällä hyödykseen tätä palautetta Born Global –yritykset voivat käyttää omia teknologiaresurssejaan ja kykyjään tehdäkseen innovatiivisia ja ainutlaatuisia tuotteita. Tällöin tuotteet lanseerataan mahdollisimman hyvään aikaan, josta seurauksena on hyviä liiketoimintamahdollisuuksia.

Myös Born Global –yrityksien kyky tuottaa standardoituja, mutta tehokkaasti muokattavissa olevia tuotteita asiakkaiden toiveiden mukaan on ollut erittäin tärkeä ydinkompetenssi. Standardoitujen tuotteiden ansiosta Born Global- yritykset ovat voineet käyttää ydintuotteitaan hyväksi useissa muissa tuotteissaan, helpottaen tuotekehitystä ja mahdollistaen nopean kansainvälistymisen.

Suurimmat haasteet Born Global –yrityksille ovat olleet ajan ja rahoituksen puute. Ajan puutteen vuoksi yritykset ovat joutuneet käyttämään ulkoisia henkilöstöresursseja, kuten konsultteja, sekä ulkoisia kontaktiverkkoja ja kumppaneita myynti- ja jakelukanavina. Rahoituksen puute on vaikuttanut kaikkiin muihin resursseihin, vaikeuttaen esimerkiksi pätevien työntekijöiden palkkaamista. Tämä on hidastanut kansainvälistymistä.

Tehokkaasti käytettynä niukat resurssit sekä ydinkompetenssit ovat mahdollistaneet nopean ja onnistuneen kansainvälistymisen. Kansainvälistyminen näkyy suurempana mahdollisena asiakasmääränä. Koska Born Global –yritykset toimivat markkinaraoissa, jossa ei ole paljon asiakaspotentiaalia. Mikäli yritys toimii usealla markkina-alueella samanaikaisesti se kasvattaa myyntipotentiaalia.

**Avainsanat:** born global, tietointensiivinen, ICT, kansainvälistyminen, resurssit, kyvyt, kompetenssi, ydinkompetenssi, PK-yritys

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# **1. INTRODUCTION**

## **1.1 Background of the Study**

Born Globals have been a focus in many recent studies during the past decade. Born Globals have adopted a global strategy from their inception or very shortly thereafter. They start to globalize their activities even ten times sooner than traditional companies. (Luostarinen and Gabrielsson 2006) They challenge the traditional internationalization theories, by leapfrogging stages or not internationalizing gradually as the internationalization theories suggest. (See e.g. Hedlund and Kverneland 1983; Turnbull 1987; Oviatt and McDougall 1994) Many of the Born Global companies can be found in the high technology industries. One of the biggest industries where Born Globals can be identified is the knowledge-intensive field. (See Saarenketo and Sundqvist 2002 & Kuivalainen 2003)

Furthermore, Born Globals are defined as small or medium sized companies. (See e.g. Rennie 1993) Being small companies, Born Globals might lack the resources and skills that bigger companies possess. The internationalization process for any company is a difficult task, thus for a small company that does not even have a strong position in its own markets, a lack of important resources and skills might be drastic. Furthermore, a lack of resources usually results in lack of competencies. This may lead, in the long run, to an unfavorable position in the global markets. (See e.g. Knight and Cavusgil 2004)

The purpose of this Master's Thesis is to identify what are the resources and core competencies that enable and lead to the rapid internationalization of the knowledge-intensive Born Globals. Additionally, this thesis will concentrate on the information and communication technology (ICT) industry and it will have an emphasis on the benefits and challenges arising from the resources and core competencies that Born Globals require when internationalizing rapidly.



## **1.2 Research Gap**

Even though many different scholars have previously researched the Born Global phenomenon, there has not been a study identifying the core competencies that Born Globals might have in their operations. Many of the researches have previously studied the Born Global phenomenon on broader scale, for example examining the differences between “normal” companies and Born Globals and compared Born Globals’ internationalization process to that of traditional ones. (E.g. see Rennie 1993, Oviatt and McDougall 1994, McDougall and Oviatt 1996 and Knight and Cavusgil 1996)

More recent focus on Born Globals have been Andersson’s and Wictor’s (2003) study of Born Global firms in Sweden and Knight’s and Cavusgil’s study (2004) of Born Global firms’ innovation and organizational capabilities. Andersson’s and Wictor’s (2003) research consisted of four Born Global companies from different industries. In their research they established a conceptual framework evaluating the factors influencing Born Global firms to internationalize. Knight’s and Cavusgil’s (2004) research highlighted the importance of innovative culture and the unique knowledge and capabilities of Born Global firms. Despite of these studies, previous research on Born Globals lacks a comprehensive study of the resources and core competencies that Born Globals possess and exploit in their rapid internationalization process. This Master’s Thesis attempts to outline those particular resources and core competencies and attempts to identify their benefits and challenges to Born Global firms when internationalizing rapidly.

## **1.3 Research Objective and Questions**

Not only large multinational corporations (MNCs) are facing the hard competitive environment in the global markets, but also smaller companies such as Born Globals have to deal with it. This factor has put pressure upon these companies to internationalize fast and intensively. This seems to be particularly true in the knowledge-intensive sectors, such as in the ICT industry. (Saarenketo 2002) Also it is rational to assume that competitive pressure is not the only factor that initiates the incentive for Born Globals to internationalize. It would be feasible to believe that there

are both specific resources and core competencies that enable the internationalization of Born Globals and that make it easier both in the internal and external business environment.

Internationalization is a difficult and challenging process for knowledge-intensive Born Globals. The changing competitive environment has increased the possibilities for smaller companies to expand more easily to foreign markets, than it was before. But the question arises that on what means knowledge-intensive Born Globals are internationalizing very rapidly.

The research objective of this Master's Thesis is to identify the key resources and core competencies of knowledge-intensive Born Globals of ICT-industry that enable their rapid internationalization process.

Furthermore, the purpose of this thesis is to answer to the following questions:

1. What are the most important resources and core competencies that enable the rapid internationalization process of knowledge-intensive Born Globals?
2. What benefits and challenges arise from the resources and core competencies that Born Globals need in their internationalization process?

#### **1.4 Definitions**

*Internationalization* is described as a gradual process where a company increases its knowledge and involvement in international markets. (See e.g. Johansson and Vahlne 1977; Luostarinen 1970)

*Born Globals* are defined as small or medium sized enterprises (SMEs) that are international or global from inception. These companies do not usually internationalize gradually, but can skip some of the stages in the internationalization process described in traditional theories. (See e.g. Rennie 1993)



*Small and medium-sized enterprises (SMEs)* are described as companies having no more than 250 employees. Small companies are described having less than 50 employees and medium-sized companies having from 50 to 250 employees. (See EU 1996)

*Core Competence* is defined as the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies. (Prahalad and Hamel 1990) Furthermore, it is “a set of problem-defining and problem-solving insights that fosters the development of idiosyncratic strategic growth alternatives.” (Lei et al. 1996, 549)

*Resources* can be defined as those tangible or intangible assets which are tied semi-permanently to the firm. Resources are inputs into the production process. Capital equipment, in-house knowledge of technology, skills of individual employees, brand names, efficient procedures and capital are examples of resources of a company. (See e.g. Wernerfelt 1984 and Grant 1991)

*Knowledge intensity* is defined as the importance of knowledge in company's activities and outputs as a source of competitive advantage. Thus, for knowledge-intensive company the importance of knowledge is high in its operations. (See Autio et al. 2000)

*Information and communication technology (ICT)* industry describes both the service and manufacturing companies competing in this high technology industry. Examples could be computer, television receiver and mobile phone manufacturers as well as service providers. (See e.g. OECD 2003)

*Sustainable competitive advantage* is defined as the company's ability to outperform its competitors in the long run, i.e. when competitive advantage persists despite efforts to duplicate or neutralize it. (Barney 1991)

## **1.5 Limitations**

This thesis concentrates on knowledge-intensive Born Globals of the Information and Communications Technology Industry (ICT). Furthermore, the case companies used in this thesis are of Finnish origin, which will limit the geographic scope of this thesis.

Even though, the main resources and competencies, for Born Globals when internationalizing rapidly, might be the same as for other gradually internationalizing companies, as well as the benefits and challenges arising from them. But in this thesis focus is additionally on the special characteristics that knowledge-intensive Born Globals might have, which would enable their expansion to global markets.

## **1.6 Structure of the Study**

The literature review of this study will attempt to identify the main resources and core competencies enabling the rapid internationalization of Born Globals combining the literature of Born Globals and internationalization processes to the literature of resources and competencies. From the literature also the benefits and challenges arising from the resources and core competencies will be addressed and from the findings a framework will be established. In the empirical part of the study the framework will be tested with case companies from the knowledge-intensive sector of the ICT industry.



## **2. LITERATURE REVIEW**

### **2.1 International Entrepreneurship**

#### ***2.1.1 Previous Research of Born Globals***

The internationalization of small and medium-sized enterprises (SMEs) has been widely recognized as driven by the increasing globalization of the world economy. Governments have reduced the barriers in trade and parallel advances in telecommunications, informatics and lower transportation costs have eased the path to internationalize companies and have opened doors to international market opportunities for SMEs. (Bernardino and Jones 2003)

One of the first studies, where the term "Born Globals" was used to describe this new breed of companies that internationalize quickly after inception, was the McKinsey's report of Australia' high-value-added manufacturing exporters. (Rennie 1993) Two distinct forms of exporting companies were found from the study; domestic-based firms and Born Globals. The former fits the traditional concept of an exporting firm, having a strong domestic base before starting to gradually internationalize. The latter was more of a new type of company. The term Born Global meant a small or medium sized company, which was a global company from its inception and also competed successfully against large established companies on the global arena.

Also other studies researching this quite new phenomenon have been conducted. Oviatt and McDougall (1994), McDougall and Oviatt (1996) and Knight and Cavusgil (1996) have studied the Born Global phenomenon more deeply. They have for example contrasted the Born Globals to traditionally internationalizing companies according to different internationalization theories.

More recent focus on Born Globals has been Andersson's and Wictor's (2003) study of Born Global firms in Sweden. Their research consisted of four Born Global companies from different industries. In their research they established a conceptual framework evaluating the factors influencing Born Global firms to internationalize. They concluded

that most influence on internationalization of Born Globals comes from entrepreneurs themselves, globalization, industry characteristics and network relationships.

In overall, Born Global -companies have been found to be important to the business environment. Rennie (1993) has stressed the importance of international SMEs and especially Born Globals for international competition as well as for economic prosperity. For example, Rennie (1993) addresses that SMEs are responsible for large proportion of new jobs and nations' growth in the western world. Even though Born Globals are quite small companies, they are extremely competitive against larger established players in the international markets. Furthermore, the researchers of Born Globals have stressed that number of Born Globals are increasing (McDougall, Shane and Oviatt 1994; Oviatt and McDougall 1994).

### ***2.1.2 Knowledge-Intensive Sector and ICT-Industry***

The information and communication technology industry, ICT, is a versatile and rapidly changing industry. Companies from manufacturers to service providers include to this industry and products from tangible, such as high technology equipment to intangible like information content (see e.g. Kuivalainen et al. 2001). Quite many of the sectors in the ICT industry like content providers are young and emerging. (Kuivalainen 2001) and this sector of knowledge-intensive firms in overall is aiming to internationalize rapidly (Kuivalainen 2003, 59).

Gabrielsson and Gabrielsson (2003) describe that pressure to globalize companies in the ICT industry is great. Because of the high R&D costs in knowledge-intensive sectors such as ICT, one common solution is to standardize the product platform and only make small adaptations for different markets, if needed. This way companies can achieve benefits of adapted offering and they are also able to divide the large R&D costs across number of countries and markets. Furthermore, Arenius et al. (2006) have also stressed knowledge-intensive companies need to be international from inception. If they do not have an international or a global view from the start they face a risk of disadvantage to companies that are international already. This is basically caused by limited opportunity



windows and the considerable threat of imitation from other companies which creates a need for pre-emptive internationalization.

Many of the new high technology, knowledge-intensive firms such as companies from information technology (IT) fields, can be identified as Born Globals (Saarenketo and Sundqvist 2002). This is mainly because, developments in technology have shortened product life cycles and also the globalization of markets and technologies have facilitated knowledge-intensive small companies to internationalize rapidly. Kuivalainen (2003, 81) concluded in his Ph.D. thesis that knowledge-intensive Born Globals can be characterized as firms having standardized products or services achieving economies of scale.

## **2.2 Internationalization Theories**

### ***2.2.1 Overview of the Internationalization Theories***

The researchers of the internationalization process have not agreed a universal definition of the internationalization process; however it has been a focus of many studies during the last few decades (see e.g. Johansson and Vahlne 1977, 1990; Luostarinen 1970, 1979, 1994). The researchers have found out that both large multinational enterprises (MNEs) and small companies go through distinct stages in their internationalization process. The main models in the incremental internationalization process are the Uppsala model developed by Johansson and Vahlne (1977, 1990) and Johansson and Wiedersheim-Paul (1975), and the Stages model developed by Luostarinen (1970, 1979, and 1994). Another important model describing the internationalization of firms is Innovation model developed by Bilkey and Tesar (1977) and Reid (1981), where the emphasis is on export activity.

These previously introduced models are implying that internationalization is a gradual process where the stages of internationalization for firms are clear. According to the models, firms build up their international operations first by exporting to nearby countries. When companies increase their knowledge and experience, they also



gradually increase their international involvement. For example, Johansson and Vahlne (1977, 1990) describe internationalization process of a firm as an incremental, risk-averse and reluctant adjustment to changes in a firm or its environment and where the company increases its knowledge and commitment to international markets.

### ***2.2.2 Current Characteristics of Born Globals***

In this thesis the term Born Global is derived from the literature, which examines Born Globals (McDougall et al. 1994, Oviatt and McDougall 1994, Knight and Cavusgil 1996). Born Globals are also some times referred as Global Start-ups (Oviatt and McDougall 1994, 59) or International New Ventures (McDougall et al. 1994). They are defined as small or medium sized technology-oriented business organizations that successfully operate in international markets from their inception (Oviatt and McDougall 1994, Knight and Cavusgil 1996, 11; Rennie 1993).

Born Globals start to globalize their activities even ten times sooner than traditional companies. (Luostarinen and Gabrielsson 2006) They challenge the traditional internationalization theories, by leapfrogging stages or not internationalizing gradually as the internationalization theories suggest. (See e.g. Hedlund and Kverneland 1983; Turnbull 1987; Oviatt and McDougall 1994) However, Luostarinen and Gabrielsson (2006) argue that Born Globals might experience same kind of internationalization process as the traditional internationalization theories suggest, but in much faster rate, developing knowledge along the way.

Knight and Cavusgil (1996) used a definition that within three years of establishment of the company, share of foreign sales of a Born Global firm is above 25%. Born Globals are found in every industry and they usually compete in niche markets, are very flexible and move fast (Rennie 1993). They often manufacture, raise capital and sell products on several continents, especially in high technology industries, where many of the competitors are already global. (Oviatt and McDougall 1994)

One of the most distinguishing features of Born Globals is that their origins are international, thus there are significant commitments of resources (e.g. material, people, finance, time) in more than one nation (Oviatt and McDougall 1994). Knight and Cavusgil (1996, 12) add that Born Globals rely on “cutting edge technology in the development of relatively new product or process innovations”. They continue by saying that the managers of Born Globals are “entrepreneurial visionaries who view the world as a single, borderless marketplace from the time of the firm’s founding” (Knight and Cavusgil 1996, 12). They are proactively seeking opportunities from global markets for exploiting their competitive advantages, acquiring resources or seeking outputs (Oviatt and McDougall 1994).

Gabrielsson et al. (2004) found out in their study that from the “Born Globals” a distinct subset of companies called “Born Internationals” can be identified. Born Internationals are companies that Internationalize quite rapidly taking between 3 to 15 years to the stage where at least half of their sales are from international markets, but from their own continent. Born Globals, on the other hand, generate at least half of their sales outside their home continent. In the Figure 1 below, the model made by Gabrielsson et al. (2004) is presented.

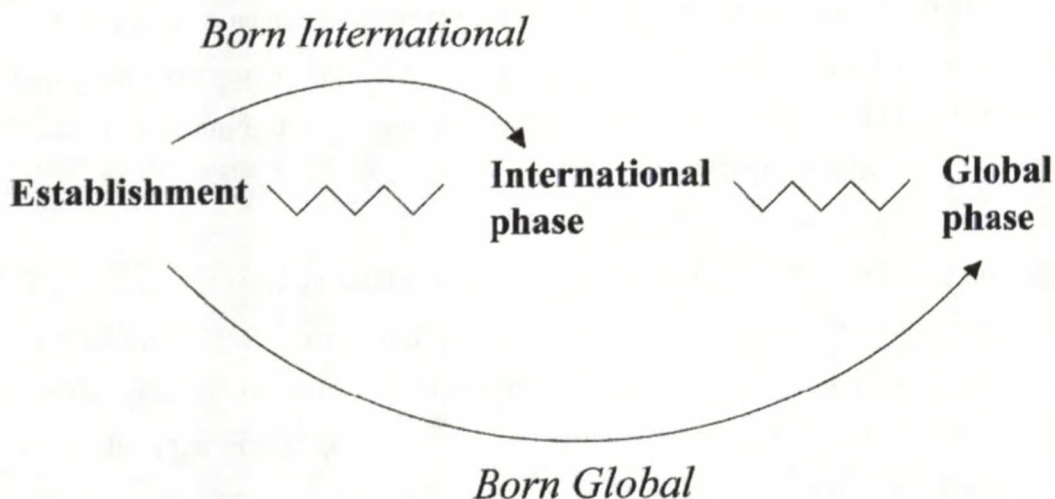


Figure 1: Born International and Born Global firms' behavior (Gabrielsson et al. 2004)

The figure describes the Born Internationals and Born Globals rapid internationalization or globalization process. The stepped lines, however, represents the traditional internationalization process of a company, the gradual process developed by Johansson and Vahlne (1977, 1990) and Johansson and Wiedersheim-Paul (1975), and by Luostarinen (1970, 1979, 1994). Even though both types of companies, Born Internationals and Born Globals generate most of their revenue from foreign markets, the difference between these companies according to Luostarinen and Gabrielsson (2006) is that Born Globals retain a global vision in their operations. Born Globals are aiming into the global markets rapidly beyond the international stage, in which the Born Internationals are interested in.

Different model for explaining the development process of Born Globals is Luostarinen and Gabrielsson (2006) model of seven stages. The model presents seven stages that Born Globals could go through in their globalization process. These stages are separated by the source and amount of revenue the Born Global –companies generate. These seven stages are illustrated below.

1. Mature stage Born Global: >50% globalization degree
2. Growth stage Born Global: >25% globalization degree with global vision
3. Development stage Born Global: >50% internationalization degree with global vision
4. Starting stage Born Global: >25% internationalization degree with global vision
5. Entry stage Born Global: <25% internationalization degree with global vision
6. Domestic stage Born Global: Not abroad yet, with revenues only from home country and with a global vision
7. R&D stage Born Global: Not abroad yet, with no revenues and with only a global vision.

Luostarinen and Gabrielsson (2006) argue that progressing from a stage to another requires similarly, like in the traditional internationalization stages theories, overcoming a threshold level of resources, knowledge and commitment. However, they state that not



all Born Globals go through all the 7 stages from R&D stage to mature stage, but some of the stages. Furthermore, the model itself does not explain how individual Born Globals develop.

### ***2.2.3 Criticism to Internationalization Theories from Born Global point-of-view***

Born Globals being international or global from inception differ from normal companies in many ways, one of them being the internationalization process. Born Globals are not always internationalizing gradually as internationalization theories suggest. This chapter will examine the problems and criticism of internationalization theories in Born Globals point-of-view in more detail.

Junkkari (2000) has summarized in her Master's Thesis that the Innovation-related model of internationalization has an emphasis on export activity, which is only one of the many possible foreign operations of a firm. Furthermore, the Uppsala model and the Stages model are seen to be more relevant when examining the globalization strategies of SMEs from small and open economies (SMOPEC). This is because for the Innovation-related models, the research has been conducted in the United States and United Kingdom. This is an issue, because the home markets for companies originating from these countries are already quite large, therefore for the companies, there would be no need to internationalize. Supporting this argument Andersson and Wictor (2003) have addressed that it is much easier to find Born Global companies in small countries than in large countries with big domestic markets.

Another problem of these theories is that they neglect that firms may not follow a consistent path to internationalization (Knight and Cavusgil 1996, 13) and can skip or "leapfrog" over stages (Hedlund and Kverneland 1983; Turnbull 1987; Oviatt and McDougall 1994) or even the internationalization may not take place in stages at all (Oviatt and McDougall 1994). Luostarinen and Gabrielsson (2006) has deepened this view by stating that depending on the amount of global business, marketing and management knowledge Born Globals can jump over the less demanding stages.

Furthermore, Oviatt and McDougall (1994) argue that the stages theories have too significant emphasis on organizational scale as an important competitive advantage in the international arena. They continue by saying that for Born Globals this is an inappropriate explanation of internationalization, because large scale has only become one among many ways to compete internationally. This basically means that even though large companies can achieve more easily economies of scale, for instance, in their operations, it does not however mean that a company should be large in order to internationalize their operations. Thus, the large scale of the organization is only a one factor that could ease the internationalization of a company.

Furthermore, McDougall and Oviatt (1996) argue that the Uppsala model does not describe well the internationalization process of Born Globals. The Uppsala model is suggesting that internationalization occurs gradually in stages after a growth in domestic market and maturation. Therefore, these Born Global companies do not fit to the normal explanation of gradually internationalizing companies.

Oviatt and McDougall (1994) are, however, addressing that the internationalization theories are not totally wrong, many companies and industries are still internationalizing as the theories are suggesting. In some cases when the conditions (e.g. technology, specific industry environments, and firm's capabilities) are right, the internationalization theories are not applicable. The findings of Coviello and Munro (1997) from the software industry support this statement. They have found that although there can be identified stages of internationalization, the stages are significantly compressed.

#### ***2.2.4 Resources, Capabilities and Competencies of a Firm***

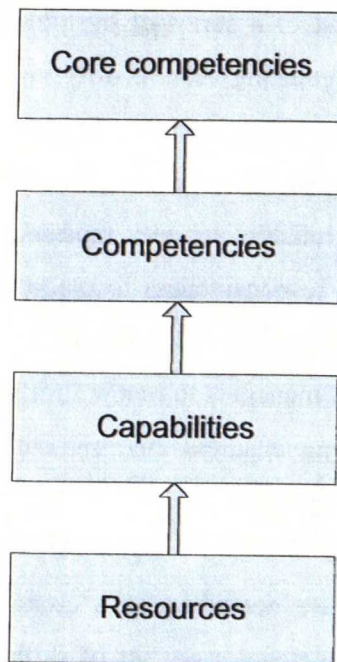
A firm's resource base has few different definitions. The resource-based-view of the firm basically suggests that a firm's resource base includes all resources that are available for use by the firm's managers in competition including both tangible and intangible assets. (Amit and Schoemaker 1993) Furthermore, Wernerfelt (1984) and Grant (1991) have used an asset perspective to describe the resources of the company.

Wernerfelt (1984) defined resources as those tangible or intangible assets which are tied semi-permanently to the firm. They are inputs into the production process – they are the basic units of analysis. These resources are converted then into final products using other assets and bonding mechanisms. Basically all these different authors have quite similar definitions what the actual resources in a company are. These include capital equipment and machinery, in-house knowledge of technology, skills of individual employees (know-how), also brand names, efficient procedures and financial assets are company-owned resources. (Wernerfelt 1984, Grant 1991 & Amit and Schoemaker 1993)

Furthermore, Barney (1991) has summarized that the firm's resources can be classified into three different categories: physical capital resources, human capital resources and organizational capital resources. The physical technology used in a firm, firm's plant and equipment, its geographic locations and its access to raw materials are physical capital resources. Human capital resources include employee training, experience, relationships and insights of individual managers and workers in the firm, for example. Furthermore, under the classification of organizational capital resources include a firm's formal reporting structure, its formal and informal planning, controlling and coordinating systems. Also informal relations among groups within a firm and between a firm and those in its environment include to this classification.

However, few resources itself are productive and a source of competitive advantage. Productive activity requires the cooperation and coordination of different resources and capabilities, which are the capacity for a team of resources to perform some task or activity. (Barney 1991) Furthermore, competencies and especially core competencies are the source of competitive advantage. (See Prahalad and Hamel 1990) Javidan (1998) has described the relationship of resources and competencies in more detail. (See Figure 2 on the next page)





**Figure 2: The competencies hierarchy (Javidan 1998)**

Javidan (1998) describes that at the bottom of the competencies hierarchy are the resources, thus they are the building blocks of the capabilities and competencies. Resources are the inputs into the organization's value chain and they can be tangible or intangible. Every company has a bundle of resources, but putting them into the best use is a difficult task. Barney (1991) has described that if resources fulfill four attributes they can potentially be a source of competitive advantage. Resources need to be valuable for exploiting opportunities or neutralizing threats, they must also be rare among the company's current and potential competitors, they must be imperfectly imitable and there cannot be substitutes for the resources in question.

Javidan (1998) describes that capabilities refer to the company's ability to exploit its resources. Capabilities with internal resources provide the basic direction for a company's strategy and they are also the primary source of profit for the firm. (Grant 1991) Furthermore, capabilities can be described as "information-based tangible or intangible processes that are firm-specific and are developed over time through complex interactions among the firm's resources". Capabilities differ from resources that they are based on developing, carrying and exchanging information through firm's human

capital. (Amit and Schoemaker 1993, 35) Capabilities consist of a series of business processes, transforming an input into an output. The distinguishing feature differing them from resources is that they are functional based. (Javidan 1998) These capabilities are combined from physical, human and technological resources at the corporate level. As a result companies may put together capabilities as reliable service, repeated processes or product innovations, manufacturing flexibility, responsiveness to market trends and short product development cycles. (Amit and Schoemaker 1993) Ideally, capabilities are “dynamic” which basically mean the ability of managers to renew firm’s competencies so as to achieve congruence with the changing business environment. (Teece et al. 1997) The capabilities are the second level of the hierarchy.

Competencies are the third level of the hierarchy. They are described as a cross-functional integration and coordination of capabilities. Competencies are set of skills and know-how in the company. (Javidan 1998) They are those business activities in which the firm is particularly skilled. Competencies are mostly knowledge-intensive and enhance company’s performance. (Teece et al. 1997) Furthermore, they result from the integration of the interfaces among the company’s business units’ functional capabilities. (Javidan 1998)

The highest level in the hierarchy is called core competencies, sometimes referred as core capabilities (see e.g. Almor and Hashai 2004). Prahalad and Hamel (1990, 82) defined the core competencies as “the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology”. They result from the interaction between different business units’ competencies. Resulting from the integration and harmonization of business unit competencies, core competencies are the skills and areas of knowledge that are shared across the units. (Javidan 1998) Core competencies are describing the capabilities that underlie leadership in a range of products or services. (Hamel and Prahalad 1994, 217) Basically, core competencies are company’s fundamental strengths, those things and processes that the company does very well. Basically, if a firm’s resources fulfill four traits they can be regarded as core competencies, thus creating sustainable source of competitive advantage. They need to be (1) valuable, that is those which exploit market

opportunities or render market threats ineffective; (2) scarce, among current and potential competitors; (3) imperfectly imitable, that is competitors do not possess them, and are unable to obtain these resources; and (4) non-substitutability for other resources. (Barney 1991, Dierickx and Cool 1989, Peteraf 1993)

It is important to keep in mind that each higher level results from the integration of the elements in the lower level and each level adds more value to the company. Furthermore, the resources themselves do not add much value, but the capabilities generate value by deploying the resources. The boundaries of capabilities are expanded by the competencies generating greater value that results from the synergies among the capabilities. The core competencies add the greatest value, because they exploit the resources and capabilities at their broadest level, thus across the company as a whole. (Javidan 1998)

In addition, each higher level is more difficult to accomplish. Achieving the next levels require integration and coordination of different elements and functions. Making use of core competencies depends on the company's ability to achieve integration, coordination and communication between the different business units and other parts of the company. Furthermore, the larger the number of individuals and employees involved in the process and the greater the variety of skills and backgrounds, the harder the next levels of the hierarchy is to achieve. (Javidan 1998) In the following chapter the core competencies are discussed in more detail.

#### *2.2.4.1 Core Competence Focus*

Hamel and Prahalad (1994, 243) argue that for most of the companies the core competence perspective is not a natural one, thus typically company's identity is built around Strategic Business Units (SBUs). Even though there is nothing wrong having strong end-product focus, this view needs to be supplemented by an equally explicit core competence focus. They say that a company should be viewed not only a portfolio of products or services, but also a portfolio of competencies as well.



Those core competencies that give a potential access to wide variety of product markets are the most valuable. However, if a company fails to build a core competence leadership, it might be that the company loses not just one product market, but a broad range of market opportunities. (Hamel and Prahalad 1994, 219)

Core competencies are not only about harmonizing streams of technology across business units, but it is also about organization of work and the delivery of value. Furthermore, it is about communication, involvement and deep commitment to working across organizational boundaries, involving many levels of people. (Prahalad and Hamel 1990) Basically, core competencies have three distinctive traits according to Prahalad and Hamel (1990, 83-84): 1) They provide potential access to wide variety of markets. 2) They make a significant contribution to perceived customer benefits and 3) They are difficult for competitors to imitate.

It is very important to note that competition for competencies is competition between companies and not between products, hence in most cases competence leadership results in product leaderships as well. Furthermore, core competencies are not product specific. Basically, they contribute to the competitiveness of a wide range of products and services and also last longer than any single product or service. Because core competencies are not product specific, losing a core competence can have a profound impact on a company's potential growth and competitive differentiation. This impact can be much greater than the success or failure of a single product. (Hamel and Prahalad 1994, 221-222)

Building and achieving core competence leadership needs time, investments and risk-taking as well. These often exceed the resources and patience of a single business unit. This means that companies cannot leave the development of core competencies up to individual business units. Furthermore, for companies, it is very important to continuously build new core competencies and nurture the old ones. This way the company can ensure its continuance. Basically, core competencies are the well-spring of future product development. They are the source of competitiveness and the final

products are just means to deliver that competitiveness into markets. (Hamel and Prahalad 222-223)

#### *2.2.4.2 Internationalization, Resources and Core Competencies*

Wernerfelt (1984) argues that for companies penetrating to new markets gradually, it is better to develop the company's resources in one market and after a strong home market position enter to foreign markets. He states that, for a company the optimal growth strategy would not be going full force into several markets simultaneously even with experience curve effects. However, Born Globals are doing the quite opposite. They are exploiting their limited resources as many markets as possible from the companies' inception and many times successfully. Thus, the traditional look of strong resource-base before starting to internationalize, might be outdated.

However, Wernerfelt (1984) has noted that versatile, multi-business resources are not necessarily more attractive than specialized resources. This is because that there could be more competition on multi-business resources than on specialized resources. For Born Globals this could mean that the specialized resources, which help them to serve niche markets, could give them at least a competitive edge when competing against bigger and older companies.

When companies are internationalizing, the growth strategy involve a balance between the use of existing resources and the development of new ones. (Wernerfelt 1984) Older and bigger companies have a competitive advantage over Born Globals in this respect. Bigger companies having bigger resource-base can use their existing resources to develop new resources, whereas Born Globals lacking important resources might struggle in the development of new ones.

### **2.3 Resources and Competencies Enabling the Internationalization of Born Globals**

One of the most distinguishing features of Born Globals is that their origins are international from their inception. Their management has a global focus and they have specific resources dedicated to international activities. In contrast to gradually internationalization firms (See e.g. Johansson and Vahlne 1977 & Luostarinen 1970, 1979) the Born Globals have a global view of their markets and develop the capabilities needed to achieve their international and global goals at or near when the company has been established. (Knight and Cavusgil 2004)

Born Globals need to have valuable and specialized resources and capabilities so that they can be competitive in the global markets. If a Born Global-company can develop specialized resources and capabilities, it might be difficult for other companies to imitate those resources and capabilities (Amit and Schoemaker 1993), thus creating a competitive edge for the Born Global. Furthermore, it could be important that their resources and capabilities should be as durable as possible. Amit and Schoemaker (1993) have stressed that more durable the resources and capabilities are the smaller will be the investments required to offset their depreciation, if any at all. It is important to keep in mind as well that, unlike physical assets most capabilities are enhanced with use, as more experience is gained. (Amit and Schoemaker 1993)

For Born Globals building multiple types of competencies is important for being able to compete in global markets. For example, multiple competencies are much more difficult for competitors to imitate than a single type of competence. Furthermore, multiple competencies increase the possibilities of synergies between the competencies, increasing company's efficiency for example, more than an each competence alone. (Mascarenhas et al. 1998)

The key to understand why Born Global companies can exist and compete against multinational corporations, MNCs, in global markets is to recognize that large size may



be both a cause and an effect of multinational competitive advantage (Oviatt and McDougall 1994, 51). In industries such as pharmaceuticals and ICT, research and development (R&D) costs are high, and therefore dividing R&D costs to large sales volumes in global markets is feasible (Oviatt and McDougall 1994, 51). Luostarinen and Gabrielsson (2006) discovered in their study that Born Globals use often cooperative operation modes at an early stage of their internationalization process or quickly thereafter, especially in R&D and marketing. This means that Born Globals being small companies use their networks to overcome their resource scarcity and smallness with the help of other companies.

Born Globals are often found in small niche markets or in new markets where practically no viable competition exists (Luostarinen and Gabrielsson 2006). Therefore it is even harder to divide R&D costs to large sales volumes. This is because in small business-to-business (B2B) niche markets, the number of potential customers is not that big. However, if Born Globals are in several different geographical markets simultaneously and in those geographical markets focusing on their specific niche market, they are able to divide the R&D costs and be more competitive in the long run. Thus, the emphasis on R&D for Born Globals is reasonable, because it produces products to niche markets where Born Globals usually compete. (Oviatt and McDougall 1994, 51; Rennie 1993, 50; Gabrielsson and Gabrielsson 2003, 104)

Born Globals are also flexible and rapidly moving (Rennie 1993, 50) and by operating in several markets simultaneously and having the correct timing of product launches, they gain higher sales volume potential and also potentially quicker learning of markets. Learning of the markets is important, because it can lead to higher innovation. Furthermore, the integration of world markets increases the requirements and opportunities to develop products with high degree of standardization. (Alahuhta 1990, 13)

Luostarinen and Gabrielsson (2004) have addressed that the time is a very critical element for Born Globals. They state that timing of product launches, thus being first in world markets is very important. Furthermore, speed, hence rapid penetrations to new

markets, escalation, rhythm, the investments based on availability of resources and on the development of demand are all very important elements for successful internationalization process for Born Globals. In addition, standardization of product offerings globally as well as simultaneous adaptation to local needs and needs of the niche markets is a greater challenge than in traditional internationalizing or already international companies.

It is very important that company knows their core competencies. By outsourcing other activities than company's core competencies, the managers can leverage the resources of the company in four ways: 1) They can maximize returns by focusing on what they do best. 2) They provide formidable barriers against the entry of competitors. 3) They can fully utilize external suppliers' strengths and investments that they would not be able to duplicate by themselves. 4) They can also reduce investments and risk, shorten cycle times and increase customer responsiveness. (Quinn and Hilmer 1994) This basically means that Born Globals that know their core competencies do not need to spend their limited and valuable resources for doing something that external partners are able to do more efficiently for them, thus they can focus on their core competencies.

Almor and Hashai (2004) argue that Born Globals could face problems when some of their core competencies are superior, thus source of sustainable competitive advantage, but other core competencies are inferior compared to competitors' core competencies. This is important because inferior core competencies can neutralize the benefits of superior core competencies. Born Global -company needs to compensate any relatively inferior core competencies it has compared to competitors, maintaining the gap it has in its superior core competencies. However, this is a very difficult task. Born Globals could be able to do this by acquiring required resources from external sources, but problem in this is that these resources are not superior because they are already possessed or available for acquisition by other companies. (Almor and Hashai 2004)

In the context of new companies like Born Globals, internal capabilities and competencies are not enough to enjoy superior performance, thus creating sustainable competitive advantage. In order to Born Globals to fully be able to leverage value from



their internal strengths, they should also have external networks through which they can mobilize complementary external resources. (Lee et al. 2001) In the following chapters the resources and competencies of Born Globals are addressed in more detail.

### ***2.3.1 Problem of Insufficient Resources***

Many new companies like Born Globals have scarce financial, human and tangible resources. They usually do not have the same tangible resources that older firms typically have. It is these tangible resources that older firms have usually relied in their international or global operations to achieve a good market performance. However, these new businesses that internationalize very rapidly leverage innovativeness, knowledge and their capabilities to achieve considerable foreign market success early in their evolution. (Knight and Cavusgil 2004) The knowledge that these companies possess, provides particular advantages that facilitate foreign market entry and the operations as well. (Kogut and Zander 1993) These intangible knowledge-intensive capabilities are very fundamental in the cultivation of foreign markets in the evolution process of Born Globals. The limited resources Born Globals have, imply that they must succeed in international markets earlier, and especially with superior efficiency and effectiveness. (Knight and Cavusgil 2004)

However, there might be possibilities to overcome Born Globals' resource scarcity. For example, Gabrielsson and Kirpalani (2004) have stressed that leveraging resources is the most significant sector of competence at present and in the future. Furthermore, the ability to create more value with fewer resources is seen as very important sector of competence as well. They have also noted that Born Globals could access learning and resources from the global markets by penetrating into "new business space". "New business space" basically means markets, where competition has not yet existed.

Lacking important resources, Born Globals do not usually have a broad customer range. Born Globals focus especially on the Business-to-Business (B2B) -markets, because B2B -segments can be reached with more limited marketing budgets than Business-to-Consumer (B2C) -segments. Furthermore, because competition in most cases is fierce,



the first-mover advantages are enormous. If a Born Global company is able to focus on the right B2B –market segment and is able to introduce the product first, it might create an industry shift and create an industry standard as well. (Luostarinen and Gabrielsson 2006)

### ***2.3.2 Financial Resources, Capabilities and Competencies***

For Born Globals lack of financial resources is a big problem. Start-ups many times run short of funds for technology development, marketing research and advertising, for instance. This is because they lack the liquid assets or credit lines of older, more established companies. Furthermore, because young companies like Born Globals do not have a history of transactions with financial institutions and are mostly seen quite risky companies, they may need to pay premium, thus higher interest rates for external resources obtained from banks, suppliers or other firms. (Lee et al. 2001)

If a young company is able to gather excellent financial resources, they can enjoy many advantages and perform better than those companies lacking good financial resources. Companies with excellent financial resources can exploit a resource-rich market niche, requiring a substantive initial investment for a company to enter. They can recruit valuable human resources, important for all small companies such as Born Globals and they can use their financial resources more on product development and advertising, for instance. Basically, other things being equal, start-ups like Born Globals that can exploit resource-rich market niche are likely to perform better than those start-ups that enter the inferior and small market niche. (Lee et al. 2001) Furthermore, Gabrielsson et al. (2004) address that the Born Globals having superior financial resources are expected to globalize more rapidly than those companies that are short of finance or lacking those capabilities.

Because of the lack of resources, Born Globals need to succeed when introducing their first product. In most cases, competition is very hard in the global markets and first-mover advantages are vast. (Luostarinen and Gabrielsson 2006) If a Born Global – company introduces non-lucrative product or service to the global markets, the effects

might be drastic. Basically, Born Globals do not have enough financial resources at start-up time to recover from serious business mistake, because many times they have borrowed monetarily by pledging their personal assets. Any serious business mistake would damage their personal asset base heavily as well. (Gabrielsson and Kirpalani 2004)

As mentioned the development of the first product or service is often crucial for Born Globals, this means that Born Globals often need skillful R&D persons. However, the skills of R&D persons differ substantially from the needed skills when the product or service is commercialized and only limited number of R&D persons are needed in product related support and service, (Luostarinen and Gabrielsson 2006) consuming a lot of financial resources for hiring and firing people or keeping unneeded personnel in the company.

Even though, according to resource-based-view of the firm, financial resources are not a source of competitive advantage, because they are not rare, imitable or tradeable. (Barney 1991) It could be, however, stated that those companies investing more financial resources in their businesses will create larger stocks of strategic assets compared to those companies lacking financial resources. (Dierickx and Cool 1989)

### ***2.3.3 Human Resources, Capabilities and Competencies***

Born Globals have limited resources and underdeveloped organizational structure just after the establishment of the company. In technology intensive industries, like in knowledge-intensive industry where Born Globals thrive, unique knowledge and skills combined with entrepreneurship orientation are the basic human resources that lead to the development of unique products with global market potential. (Kirpalani and Gabrielsson 2006) Furthermore, Yli-Renko et al. (2002) state in their study that Born Globals are created because they possess unique knowledge and competencies that allow their internationally experienced managers to internationalize rapidly their companies. In the following chapters the human resources and competencies important for the rapid internationalization of Born Globals are presented.



#### *2.3.3.1 Knowledge and Innovation*

Kogut and Zander (1993) address in their study that knowledge provides particular advantages that facilitate companies, like Born Globals, to enter into foreign markets and facilitate their operations in those markets. Furthermore, knowledge and especially the knowledge intensity of a company is positively correlated toward international sales performance (Autio et al. 2000)

Oviatt and McDougall (1994) argue that for Born Globals new technology development derived from the knowledge created within innovative processes could be one of the key resources that Born Globals use to develop unique and competitive products. The innovative nature of Born Globals supports these companies in developing particular types of knowledge, which drives the development of organizational capabilities. These organizational capabilities support early internationalization and superior performance in diverse international markets. (Knight and Cavusgil 2004) Furthermore, the innovative nature of Born Globals is, according to Yli-Renko et al. (2002), strongly related to the founders of the company and their experience.

Furthermore, the innovative activities in Born Globals support the opening of new markets and reinvention of the company's operations to serve those markets optimally. In addition, knowledge that nurtures unique products development also allows Born Globals to serve specific markets well. Basically, Born Globals offering unique products to serve buyers' special needs, and to minimize competitive rivalries, supports superior international performance. (Knight and Cavusgil 2004) Yli-Renko et al. (2002) state that many times the main innovation, thus the unique product, of a Born Global – company is developed before the actual establishment of the company, and in most cases it is the reason why the company is established in the first place.

The knowledge of Born Globals is of course derived from their employees. Because Born Globals are small- or medium sized companies, they do not possess huge bundle of human resources. The skills and knowledge of their existing personnel and especially



their management team are very important. One big problem for Born Globals is that because of their smallness, if one person, with excellent bundle of skills and knowledge, would decide to leave the company, all of his/her competencies would leave the company simultaneously (Tautila 2004). This could lead to a possible resource and a competence gap potentially difficult to fill. In the following chapter the influence of the managers to the performance of Born Globals is discussed.

#### *2.3.3.2 Managerial Influence*

Even though there are lot of factors influencing a company from outside of the company to internationalize rapidly it should not be underestimated the important role of the managers of Born Globals in the internationalization process. The managers of Born Globals face very difficult task of globalizing a firm (Luostarinen and Gabrielsson 2006). The managers of Born Globals need to invest huge amounts of time, effort and money in creating global networks, starting global marketing and sales efforts and continuous product development. (Luostarinen and Gabrielsson 2006)

It is important for Born Global -companies that their managers think internationally. For example, Kobrin (1994) found out that managers with more world-oriented mindset, also referred as geocentric mindset, are more likely to enter international markets quickly. Harveston et al.'s study (2000) support this statement by addressing that, managers of Born Globals compared to gradual globalizing firms' managers had higher levels of global orientation. Thus it seems that in the knowledge-intensive companies, the managers' positive orientation toward internationalization would have a positive effect on the international performance of the firm.

Andersson and Wictor (2003) concluded in their study of Swedish Born Globals that the managers of these companies had also a positive attitude towards internationalization. They were motivated and interested in operating abroad. In overall, according to Harveston et al. (2000) managers of Born Globals and gradually internationalizing companies have different attitudes towards internationalization. Managers of Born Globals are more open and positive toward internationalization and they think that it is

not just an extension of domestic operations (Harveston et al. 2000). Also Andersson and Wictor (2003) have noticed that the managers of Born Global firms are observing the whole world as one market. Thus, they have more a global orientation or global strategy and they do not see that one industry or market would be a determinant factor for the company itself to do business.

Harveston et al. (2000) stated that managers in gradually globalizing firms had less international experience and risk tolerance than managers of Born Globals. Also Andersson's and Wictor's (2003) study supports this statement, by addressing that according to the researchers, the managers of four Swedish Born Globals had an extensive experience of international markets. Also Laanti et al. (2006) found similar results in their study about Finnish Born Globals. The case companies' founders and managers had significant previous international business experience.

If the manager is not globally oriented he or she is not able to convince other partners such as financiers, employees etc. to internationalize, and the manager's influence could slow down the internationalization process. Thus, this could mean lower performance in international markets. In conclusion, the global orientation of the managers is important for success of the company's internationalization process. (Andersson and Wictor, 2003)

Andersson and Wictor (2003) also have concluded in their study that the earlier experience of the managers and especially the existing contacts to various companies and entrepreneurs from past career are important for Born Global companies. These factors are influencing highly on the internationalization process of Born Globals. However, for example Luostarinen and Gabrielsson (2006) found out in their study that even though the managers of Born Globals are technologically competent, some are also young and inexperienced in business management and international business. This is particularly noticeable in firms in the ICT sector in high-technology businesses.

According to study of Kuivalainen et al (2004) of Finnish SMEs the leader characteristics of knowledge-intensive firms did not actually differ from non-



knowledge-intensive firms. Managers from both different sets of companies had positive attitudes towards internationalization in general, and their skills and knowledge had a positive effect on internationalization. However, contrary to the hypotheses of their study, managers of knowledge-intensive SMEs did not have more positive attitudes towards internationalization nor they had more skills or knowledge of internationalization than managers of non-knowledge-intensive firms.

Internationally experienced management teams are perceived as an important resource that influences Born Globals to engage in activities and behavior leading to a greater degree of internationalization. Companies that possess more internationally experienced management teams use more foreign strategic partners and delay less in obtaining foreign sales after company's establishment, leading to greater degree of internationalization. (Reuber and Fischer 1997) Furthermore, the previously acquired international business experience seems to be very important for the successful internationalization process of Born Globals. It often explains the rapid globalization process and the use of advanced product, operation and market strategies at an early stage. (Laanti et al. 2006)

#### *2.3.3.3 Marketing Capabilities*

Born Globals in overall have inferior marketing capabilities compared to larger companies, because of paucity of their resources. Almor and Hashai (2004) have summarized in their study that larger companies have more resources and experience that enable them to establish and coordinate international-wide marketing infrastructure. Furthermore, larger companies are able to control greater market share, ride the learning curve faster, enjoy a stronger bargaining power with customers, and to withstand more mistakes without incurring failure. Furthermore, lack of marketing capabilities and resources is a major problem for knowledge-intensive Born Globals, because mostly their products and services are frequently unknown, new and based on proprietary knowledge.



Born Globals might be expected to make strategic alliances with external marketing partners to compensate the lack of marketing capabilities. However Almor and Hashai (2004) argue that this is not the case, because marketing activities are considered as one of the core competencies of the company, thus they make a major contribution to the process of creating customer value. Born Globals are expected to make more frequent interactions with their customers and these pre- and postsale interactions creating customer value. These interactions require unique skills and expertise in the process of promotion, sales, distribution and postsale services and therefore these interactions are to be better performed by skilled employees rather than by external partners, because employees get ongoing training from the company.

To summarize, one of the major strengths of Born Globals is the knowledge that they possess through the founders of the company and through their employees. By leveraging human resources and their knowledge, Born Globals might be possible to create innovative and unique products or services with excellent market potential. The managers of Born Global -companies just need to have global orientation, willingness and skills to internationalize the company rapidly and gain first mover advantages. However, if the managers and founders of Born Globals do not have needed particular skills external experts might be used to overcome this lack. This topic will be addressed in the next chapter.

#### ***2.3.4 External Human Resources***

Luostarinen and Gabrielsson (2006) found out in their study that especially in the ICT sector, the founders and managers of Born Global -companies are quite young and inexperienced what comes to business management and international business, which contradicts at least in some level with studies made by Harveston et al. (2000), Andersson and Wictor (2003) and Laanti et al. (2006) which state that the managers of Born Global -companies have quite a lot of international business experience. However, this could just mean that there are national differences or that the case companies of these studies differ what comes to their managers' and founders' previous experience, thus there are both breeds of Born Globals' managers and founders; those with

international business experience and those without. Nevertheless, the lack of internal human resources puts pressure on Born Globals, using external human resources as a supportive resource, might enhance the company's performance, which is discussed in the next chapters.

The managers are valuable when they exploit opportunities and/or neutralize threats in the company's environment. However, it should be kept in mind that management teams in overall are non-substitutable, at least in the short-run. Thus, some managers will lack some important knowledge and/or skills. (Mahoney 1995) Because of the possible lack of knowledge, skills or experience of current managers, Born Globals might need to rely on external human resources to overcome these lacks. Some founders of Born Globals understand that it is very important to complement their management team and board with missing skills and capabilities. Other solution is to organize strong internal training programs. (Luostarinen and Gabrielsson 2006)

One of the possible problems of the Born Globals' managers and founders is that according to Luostarinen and Gabrielsson (2006) they usually rely on their own skills and abilities and also select their management teams with similar capabilities with little business experience. This means that the role of advisory boards and/or official boards in advising and guiding these entrepreneurs is especially important for their success. Furthermore, many of the case companies of Luostarinen's and Gabrielsson's (2006) study used the services of consultants to overcome the lack of internal human resources. Some of the case companies actually outsourced several of their functions and relied heavily on their partners. However, it seems that the major managerial challenge related to the use of external partners is in managing the often complex external networks and relationships.

Born Globals can use the experience of the venture capital companies that invest in their businesses. Luostarinen and Gabrielsson (2006) address that even though this is a viable alternative, it involves certain risks. This is because, even though the venture capital companies often employ experience business people with large contact networks that are valuable for Born Globals, their objectives may differ from those of the founders of



Born Globals. The venture capital companies are usually looking for short-term profits on their investments, whereas the founders of Born Globals are expecting good long-term returns. However, the venture capitalists can be very valuable to Born Globals and contribute to the global management skills, strategy development and provide valuable knowledge that the founders lack and thus reinforce the globalization performance. (Luostarinen and Gabrielsson 2006 & Gabrielsson et al. 2004)

In conclusion, many of the Born Global companies need external human resources to support the lack of particular skills and knowledge of their management teams. External experts can help to enhance the company's internationalization performance by supplementing Born Globals with the needed skills set.

#### ***2.3.5 Technological Resources, Capabilities and Competencies***

The technological resources of a company are various. These include resources such as a company's manufacturing facilities and hardware, research and development facilities and programs, and products and even intangible ones such as technological networks. However, companies making special kinds of products such as software, their manufacturing facilities are almost non-existent. (Zahra et al. 2003)

Born Globals have a strong incentive to internationalize their operations rapidly and early to conquer markets before their competitors. The larger companies have substantial financial, marketing and especially technological resources that give them the possibility to flank the markets and reduce the entry of potential competitors. It is important that the tangible technological resources are interacted with intangible resources such as technological networks and relationships with partners, because tangible resources itself do not typically foster growth. (Zahra et al. 2003)

The lack of Born Globals' human as well as financial resources greatly affects to their production capabilities and hampers the possibilities to achieve economies of scale for instance, needed in many products that they can be competitive in global markets. Especially production of tangible products requires substantial economies of scale



and/or production efficiency based on superior position along the experience curve. Even though Born Globals could be able to conduct some particular proprietary part of the production process, still their capabilities to produce large systems or engage in mass production is quite limited. (Almor and Hashai 2004) However, because reproduction of software does not need large production facilities, for instance, small software companies might be able to compete against larger companies well.

Almor and Hashai (2004) argue in their study that Born Globals are expected to outsource most of their production to external partners as long as proprietary know-how is protected, for example with patents. However, Born Globals can protect their know-how by choosing to produce components in which proprietary know-how is embedded, while using collaborations to manufacture standard components, which make only small contributions to value creation for customers.

Even though Almor and Hashai (2004) argue about externalizing production, Born Globals need to control their R&D resources internally to make these resources durable and inimitable. R&D activities lead to advances in technology creating value to customers. R&D activities are considered to be one of the most important core competencies of a Born Global –company and it is a major determinant of their competitive advantage. (Almor and Hashai 2004)

In the resource-based-view of the firm, technological resources and capabilities define basically the source of competitive advantage for Born Globals. This is mainly because technological capabilities comprise patents protected by law, technological knowledge and production skills that are valuable and difficult to imitate by competitors. (Lee et al. 2001) Especially interactions of tangible and intangible resources lead to competitive advantage. (Zahra et al. 2003) In the following standardization and advances in technology of technological competencies enabling rapid internationalization of Born Globals are addressed. The intangible technological resources, thus networks and relationships are discussed in a separate chapter External Networks and Relationships.

#### *2.3.5.1 Standardization*

One enabling competence for globalization of Born Globals is standardization. Alahuhta (1990, 39) and Gabrielsson and Gabrielsson (2003) have found out in their research that it is not feasible for SMEs to differentiate their products to all the markets, but to have the same standardized product with universal appeal in all markets, which is enabling Born Globals to globalize the company rapidly. Standardization is also a good option, because resources of SMEs are often limited (Oviatt and McDougall 1994). The management might not have either the time or resources to adapt the product to each market (Gabrielsson and Gabrielsson 2003).

However, as noted earlier Born Globals usually operate in niche markets where companies many times want specialized product, thus there could be a middle way between differentiating to niche markets and standardization of products. Companies serving niche markets with standardized products could be very competitive against MNCs. By achieving economies of scale by producing standardized products, Born Globals could lower their R&D costs per unit produced and therefore gain lower production costs per unit and still serve the niche markets.

Furthermore, Alahuhta (1990) has identified the importance of standardization in the telecommunication and computer industries. These industries involve basically a uniform technology applied to a common function. In these industries major emphasis is on R&D and benefits of economies of scale can be achieved through simultaneous access to several markets. (Alahuhta 1990, 39) Thus standardization in these markets is seen as a feasible solution. Also Kuivalainen (2001) had addressed the importance of standardization in the software industry. If a software product would be tailor-made, it would need sustainable resources from the producer to adapt it to every customer. The producers would need more presence in the local markets and interactions with the end-users, which would consume valuable resources of the producers. (Kuivalainen 2001) It is also more appropriate to standardize high technology products than consumer products, because markets of high technology are more rapidly changing. (Jain 1989; Quelch and Hoff 1986) There is also empirical evidence supporting these arguments.



Kuivalainen's study (2001) supports reviewed companies from IT and telecommunication industries in Finland and by having standardized products the companies had more international customers.

#### *2.3.5.2 Technological Innovations*

Many scholars agree that technology innovations, thus advances in technology, ease the internationalization process of a firm. (Alahuhta 1990, Rennie 1993, Knight and Cavusgil 1996) Rennie (1993) and Knight and Cavusgil (1996, 21) agree that in the past process innovation favored large-scale operations that created economies of scale in production, but now new technological innovations allow Born Globals to compete and to achieve a comparable footing against MNCs in the production of sophisticated products. Born Globals are now able to compete with both quality and cost, and often with more flexibility than large multinationals (Rennie 1993).

Furthermore, those new innovations made by Born Globals enable the competition against MNCs, thus already established competitors. Without new innovations Born Globals would deliver traditional products and services through traditional distributions channels to the markets. (Bernardino and Jones 2003)

It used to be that large, vertically integrated companies had a competitive advantage compared to SMEs, when information flow costs were high (Rennie 1993). Nowadays, however, managers of small companies can also efficiently manage operations or business systems across nations and continents, because communication technologies have improved dramatically (Knight and Cavusgil 1996, 21 and Rennie 1993). Information flow is more consistent and faster and it is more available than before (Rennie 1993 and Knight and Cavusgil 1996, 21). Information about export markets is more extensive and more available, because the recording of public and private data throughout the world has increased and also information technology has lowered the costs of storage and retrieval of the information (Rennie 1993 and Oviatt and McDougall 1994). To summarize, the advances in technology have decreased the costs to internationalize a company (Knight and Cavusgil 1996, 21).



Technological innovations have increased and improved the possible approaches to manufacturing, product innovations and general operations of smaller firms (Knight and Cavusgil 1996, 22). Therefore, smaller companies are nowadays more competitive against larger firms in the international environment. In the software industry, for instance, the digital products can be transferred to the customer through the Internet and there is no need for traditional presence in the local markets. Additionally, it could be that the incremental internationalization process may not be needed at all. (Kuivalainen 2001) Internet has had quite a big influence for ICT companies. Kuivalainen (2001) has concluded in his study that those companies that were selling more through Internet were internationalizing more rapidly than those who were not. Availability of Internet offers a global presence to knowledge-intensive companies without being physically present. (Kuivalainen et al. 2001)

Especially for knowledge-intensive companies the great mobility of knowledge once it is produced, like software, is a big factor in internationalizing the company. Because of modern communication infrastructures in developed countries, valuable knowledge can be reproduced and it can travel rapidly with minimal marginal costs. This could be also the reason why Born Globals have instant rather than evolutionary internationalization path. (Oviatt and McDougall 1994)

The technological development is influencing the knowledge-intensive companies positively to internationalize rapidly. According to Kuivalainen et al. (2004) knowledge-intensive companies are having increased performance and growth, because of the technological development. It could be that the technological innovations give opportunities to knowledge-intensive companies to exploit their competitive advantages.

#### ***2.3.6 External Networks and Relationships***

In addition to the internal resources, for Born Globals' cooperation with external partners or forming strategic alliances and networks in marketing, R&D and production,

for instance, are ways to acquire resources that Born Globals lack. (Luostarinen and Gabrielsson 2006) McDougall et al. (1994) also address in their study that Born Globals rely on foreign partners in their internationalization process. This creates greater flexibility for Born Globals because they can control resources without owning them, thus they are able to dispose resources that are no longer needed.

According to Laanti et al. (2006) Finnish companies need to be very active and even more active than their counterparts in more central markets in order to receive the same number of market impulses. However, if the Finnish companies are a part of a domestic network with linkages to international actors, this obstacle may be easier to overcome. (Laanti et al. 2006) These networks usually present more market information to the members of the network, than the isolated competitors are able to gather. Furthermore, the members of the domestic network get new information about new technologies, services and marketing concepts earlier than their competitors. (Porter 1998)

In overall, networks provide Born Globals information about international opportunities that enhance their credibility in international markets and give them access to local resources. When tangible technological resources are bundled with intangible technological resources, such as information, credibility and access, the benefits of the network relationships are multiplied. For example, new software Born Globals with strong network relationships but limited resources in R&D can have internationalization opportunities through their network relationships. However, still the company's own capabilities of developing and generating valuable products to their customers are the key ingredients for successful international sales. However, if a Born Global –company is strong in R&D, but has limited external networks, they may be able to develop and generate valuable products. The problem is that then they will have limited access to distribution networks, for instance, making international sales quite difficult. Therefore, the leveraging of tangible and intangible resources is expected to increase sales internationalization. (Zahra et al. 2003)

Laanti et al. (2006) found out in their study about Finnish Born Globals that the managers and founders of the case companies had extensive networks in the industry.



This basically helped the companies in developing products, opening sales and marketing opportunities internationally, attracting investors and strategy planning. The domestic network especially was seen important in the early phase of internationalization. However, later the importance of the domestic network diminished, because the case companies were able to attach to global networks and attract more partners.

Also close relationship with external partners can create benefits for Born Globals operating in the global environment. The suppliers, for instance, can suggest ideas for new product development or execute fast design changes if needed. Furthermore, professional organizations, thus consulting firms, can provide superior talent or distributors can provide market access and customer information. Close relationship with regulators are also important. They can facilitate and hasten product or manufacturing quality approvals, for instance. (Torkkeli et al. 1999 & Mascarenhas et al. 1998)

External partners play a very important role not only for getting those complementary external resources that Born Globals lack, but also in the exploitation of international market opportunities. (Bernardino and Jones 2003) For example, it is not uncommon that Born Globals form marketing alliances. When the resources are scarce and not enough for brand development, for instance, they must cooperate in large partner marketing channels (Gabrielsson and Kirpalani 2004). Furthermore, cooperation with external partners may result not only in exchange of resources, but also exposure to partners' capabilities, expertise and so forth, resulting in enhanced knowledge and capabilities, for instance. (Bernardino and Jones 2003)

As noted earlier, Born Globals do not possess enough financial resources at a start-up time to recover from serious business mistake. However, Born Globals can use MNCs as system integrators or distributors, networks and the Internet either separately or in combination to lower their risk. Basically, MNCs can help Born Globals by leveraging their expertise in design, operations, production and research. (Gabrielsson and Kirpalani 2004)



In conclusion, Born Globals need to build competencies also on external relations. Basically, these relationship competencies can complement Born Global –company's traditional competencies, by increasing quality of the products, shorten product cycles and coping with the demands of globalization, for instance. Close relationships with external partners help Born Globals to develop the generation of competencies in a world of rapid product and process change. (Mascarenhas et al. 1998)

## **2.4 Theoretical Framework**

The Figure 3 presents the theoretical framework derived from the earlier presented Literature Review. Furthermore, the theoretical framework is created in order to guide the empirical research of this Master's Thesis. In the following chapters the theoretical framework is explained briefly in more detail.

### *Born Global's Resources, Capabilities and Competencies*

The most important resources and capabilities leading to competencies related to the successful internationalization of knowledge-intensive Born Globals derived from the literature review are the human resources, capabilities and competencies, the technology resources, capabilities and competencies and the financial resources, capabilities and competencies. These resources, capabilities and competencies can be, however, supported by external resources, if the company lacks the necessary skills or knowledge. However, the literature still emphasizes that some functions need to be kept inside the company, which are too important to be outsourced, include for example marketing capabilities and R&D.

Javidan (1998) describes that the company's resources are building blocks for competencies. The resources are invisible in the framework as such, but the capabilities and competencies that are created from the resources are illustrated. The capabilities and competencies are complex networks of different resources, thus illustrating all the important resources in the framework would create too complex model.

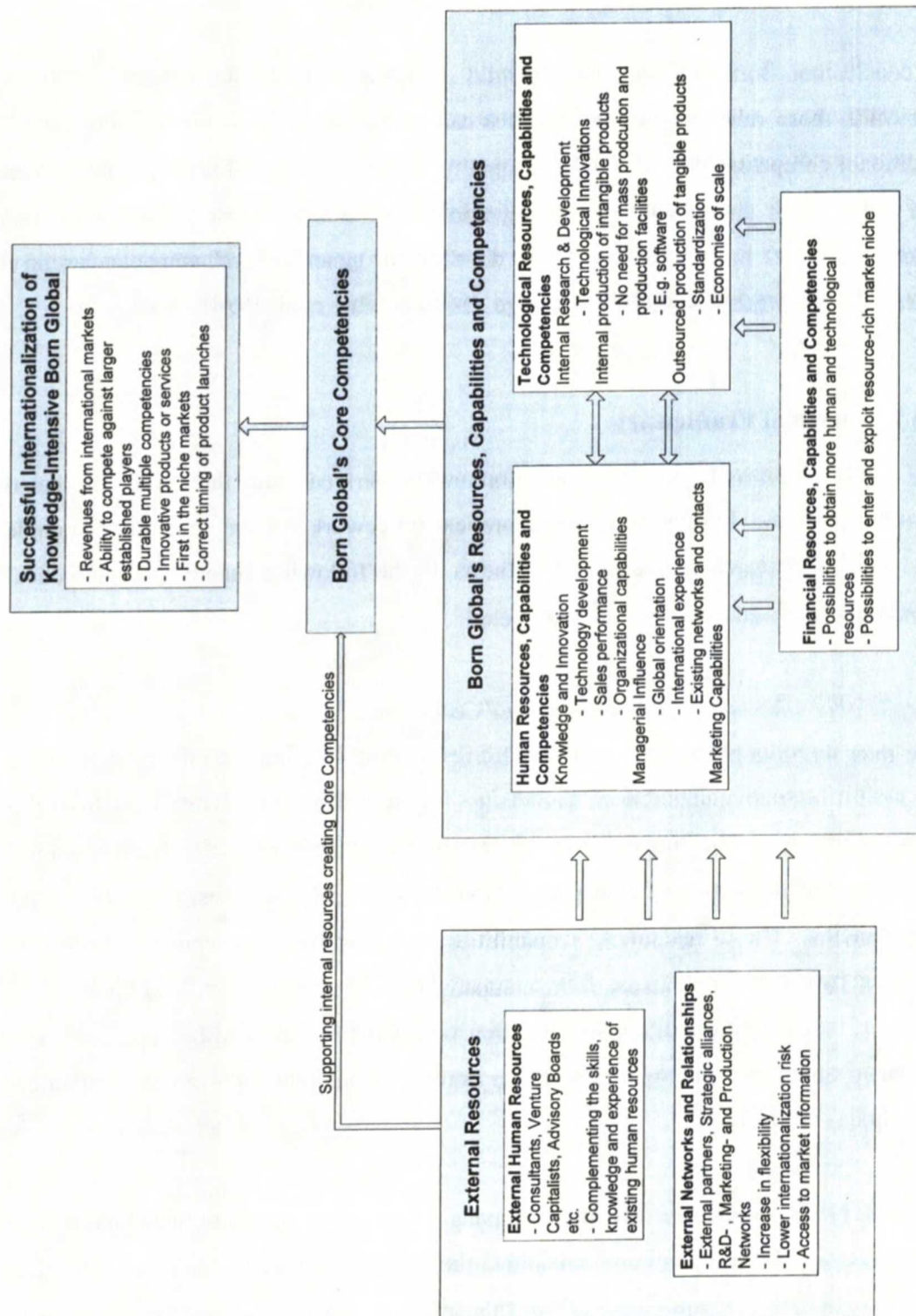


Figure 3: Theoretical framework: The resources and competencies enabling successful internationalization of knowledge-intensive Born Global



### *Human Resources, Capabilities and Competencies*

Born Globals are created because they have unique knowledge and competencies that allow their managers to internationalize their companies rapidly (Yli-Renko et al. 2002). Derived from the literature review it seems that knowledge and innovation leads to technological developments. These seem to be the key resources that Born Globals use to develop and create unique and competitive products (Oviatt and McDougall 1994). Furthermore, unique and competitive products that customers need and want lead to increase in sales and sales performance. In addition, innovativeness supports the creation of particular types of knowledge, driving the creation of organizational capabilities. Organizational capabilities, in the other hand, support early internationalization (Knight and Cavusgil 2004).

The influence of the management team and founders of the Born Global –company are manifold. They face a very difficult task of globalizing a very young company, with limited resources. The founders and managers seem to be the glue that binds and keeps the company together and operating efficiently. For the successful internationalization of knowledge-intensive Born Globals managers and founders need to have global orientation, preferably international experience and vast existing networks and contacts. Furthermore, marketing capabilities derived from the knowledge and skills of the company's personnel are seen as a source of core competence for a company, thus increasing the importance to keep these competencies in the company.

### *Technological Resources, Capabilities and Competencies*

With technological resources and competencies Born Globals develop and create unique and competitive products. Even though Born Globals might lack the necessary production resources to be able to achieve economies of scale even with standardized products, they can use external partners to overcome this lack. Software companies on the other hand do not need to produce tangible products, thus the production (i.e. copying) and distribution of software is easy and cost effective with the current technologies, thus there is no need to externalize the production of intangible products. Furthermore, R&D which might be one of the most important sources of competitive advantage for Born Globals need to be kept in the company, making these resources



durable and inimitable (Almor and Hashai 2004). In overall, R&D creating technological innovations allows Born Globals to compete against bigger established companies in production of sophisticated products.

#### *Financial Resources, Capabilities and Competencies*

One of the biggest problems for Born Globals is the lack of financial resources. Even though according to resource-based-view of the firm, financial resources are not a source of competitive advantage (Barney 1991), their importance for the successful internationalization of Born Globals should not be underestimated. If a company is able to gather excellent financial resources they are able to increase their resource-base in human and in technological resources, which are sources of competitive advantage. Born Globals are able to hire more personnel for R&D increasing the skills set, for instance or for sales increasing the sales performance of the company. In addition, with excellent financial resources, Born Globals are able to exploit the resource-rich market niche, where no viable competition exists. Even though the financial resources are not itself a source of competitive advantage for Born Globals, they have a very important role in supporting those resources that are source of competitive advantage for Born Globals.

#### *External Resources*

As stated in the Literature Review, Born Globals have inferior resource base compared to bigger established companies. Furthermore, Born Globals lack particular resources or skills that they would need to be able to successfully internationalize their company. However, Born Globals, and other companies as well, have the possibility to use external resources for filling this gap between the existing resources and the needed resources. From the literature review two different ways to obtain external resources were identified; the possibility to use external human resources or the possibility to use external networks and relationships.

Born Globals can use external human resources to complement the skills, knowledge and experience of existing human resources. They can use the knowledge and experience of hired consultants and venture capitalists that have invested into the

company, for instance. Furthermore, Born Globals can try to benefit from the external networks and relationships. Using external partners in production for instance, increases flexibility, because they can control resources without owning them. In overall, external networks offer market and product information, and international market opportunities. The importance of the founders' and managers' seems to be great what comes to the use of networks and external partners. This is because the external networks that Born Globals can use, come from the founders' and managers' network contacts, thus from their earlier experience.

However, the problem is that external resources cannot be a source of a core competence and a sustainable competitive advantage, because they do not fulfill one important criterion; external resources are not imperfectly imitable, thus competitors are able to possess and obtain the same external resources that the Born Global –company is able to. For example competitors can hire the same consultants as the Born Global – company can. Still the external resources support the internal resources of the Born Globals creating core competencies for the company and easing the path to successful internationalization.

#### *Relationships between the Different Resources*

In the framework, the relationships of different resources and competencies are illustrated. As stated earlier, the financial resources support the human and technological resources, thus with financial resources Born Globals are able to hire more personnel, for instance, or are able to use external resources for skills and knowledge, thus hiring consultants, for instance. Furthermore, with a good set of human resources having excellent knowledge and creating innovation from that knowledge leads potentially to technological innovations creating technological competencies to the company. External resources including both external human resources and external networks and relationships complement the internal resources of the Born Global – company, thus the skills, knowledge and experience of the Born Globals existing resources. For instance, the skills and knowledge that the Born Globals lack can be obtained from external sources through external partners.

Some of the Born Globals' competencies created from the combination and collaboration of the internal and external resources can be identified as core competencies. These core competencies create a sustainable competitive advantage and lead to the successful internationalization of the knowledge-intensive Born Globals. From the literature review it can be stated that the internationalization process of the knowledge-intensive Born Global –company is successful if they are able to compete against larger already established players and they are able to offer innovative products or services to customers. Furthermore, they have been among the first in the niche markets, they have had correct timing of product launches and they have created durable and potentially multiple competencies. However, even though all the previously presented success factors would be filled, it is crucial that the company is able to sell its products and generate revenue from its operations.



### **3. RESEARCH METHODOLOGY**

#### **3.1 Choice of Methodology**

The methodological approach used to test the theoretical framework in this Master Thesis' empirical study was a multiple case study of three cases. Multiple-case study approach was chosen because the study is considered to be the most appropriate method in the early stages of research on a topic or to provide freshness in perspective to an already researched topic. (Eisenhardt 1989) This describes well the current situation of research on the core competencies of Born Globals. Furthermore, as Yin (2003, 1, 13) states case studies are usually used when "how" or "why" questions are asked and the researcher has little control over the events and when the focus on the study is on a contemporary phenomenon within some real-life context. This Master's Thesis and especially its research objective and the research questions fulfill those criteria.

One of the strengths of the case study method is that it is possible to use multiple sources of evidence, such as documents, artifacts, interviews and various types of observations, for instance (Yin 2003, 83). Furthermore, as Eisenhardt (1989) states, using a case study method, it is more likely to generate novel theory with less researcher's bias and a closer reflection to reality than a theory built from incremental studies or assumptions.

The weaknesses, however, of the case study method is the possibility that the case studies are done in sloppy manner by the researcher, thus there is a lack of rigor. Furthermore, case studies can result in long and unreadable documents, which would little contribute to the scientific generalization (Yin 2003, 10-11) and the theories derived from the case studies become too complex (Eisenhardt 1989). Yin (2003, 11) and Eisenhardt (1989) however state that these problems might be overcome by carefully designing the case study, by generalizing to the theoretical proposition and by using correct writing methods.

## **3.2 Research Design**

As Yin (2003, 20) states the research “design is the logical sequence that connects the empirical data to a study’s initial research questions and, ultimately, to its conclusion”. In the following chapters the parts of the Research Design are presented.

### ***3.2.1 Unit of Analysis***

In this study the unit of analysis in each of the cases was the company, thus the Born Global in question. Furthermore, sub-unit of analysis were the founders of the company that are still in the active management of the company, thus those persons that have a profound understanding of the company’s internationalization process and the most important resources and competencies used in the process.

Yin (2003, 23-24) states that it is quite important that the unit of analysis is defined in more detail, including defining the persons included, the geographical scope, and the time boundaries of the case. This extra information is summarized below:

#### **Persons Included**

This study tries to understand what are the most important resources and core competencies that enable the successful internationalization of the knowledge-intensive Born Globals. The founders that are still in the active management of the company in question are more likely to have a profound understanding of the internationalization history of the company and what have been the most important resources and core competencies that are used in the internationalization process. Furthermore, because this study also tries to understand the influence that the managers and founders have to the internationalization process of the company, they can be considered as a sub-unit of analysis (Yin 2003, 42).

#### **Geographic Area**

All firms in this study are or hoped to be operating internationally or globally and come from Finland.

### **Time Boundaries**

Basically, there were no clear and specific time boundaries that apply to all case companies. However, in general it could be stated that the beginning of each case was the inception of the company and the case will end when this study was completed.

#### ***3.2.2 Criteria of Selecting the Number of Cases and the Case Companies***

In this study four cases were selected for the multiple-case study. However in the late stage of this study one of the case companies dropped out from the study resulting that only three cases were used for the empirical part of this Thesis, because there were not enough time to find a new case company. Eisenhardt (1989) states that there is no ideal number of cases, however, 4 to 10 cases are usually a proper number. This is because the complexity and volume of data will become problem if over 10 cases are selected and if less than 4 cases are selected, it is quite difficult to create a theory and the empirical grounding is likely to be unconvincing, which might be the case in this Thesis, because there are only three cases in this study. Furthermore, in a multiple-case study, random selection of case companies is neither necessary nor recommended (Eisenhardt 1989). Yin (2003, 47-48) states about case selection that each case should be selected to either predict similar results (literal replication) or to predict contrary results but for predictable reasons (theoretical replications). In this study literal replication logic was used.

The criteria of selecting the case companies were that they had to be Born Global – companies, thus they had to be small- or medium-sized companies that have already major parts of their operations in international or global markets and the companies had global vision. They needed to be knowledge-intensive companies from the ICT-industry. Furthermore, the case companies needed to have at least 25% internationalization degree, thus they needed to be at least a starting stage Born Global (See Luostarinen and Gabrielsson 2006) and the case companies needed to be established after the year 1998 and had internationalized rapidly after establishment, within three to four years of establishment.



### **3.2.3 Generalizations**

In this empirical study “analytical generalization” –method was used, because this study aimed to create results that could be generalized at least in some level to Born Global - companies. In this method the previously developed theory (theoretical framework) is used as a template, which was compared to the empirical results from the case studies. (Yin 2003)

### **3.2.4 Case Study Protocol**

Yin (2003, 67, 69) states that case study protocol is a very important tool to increase the reliability of the case study research. Furthermore, case study protocol keeps the researcher targeted on the subject of the study and it forces to anticipate several potential problems, such as targeting the case study to wrong audience. As proposed to Yin (2003, 69) this case study includes an overview of the case study project, field procedures, case study questions and a guide for the case study report. In the early part of the research case study protocol was developed. This is summarized in the next page.

#### **Overview of the Case Study Project**

General sources were first used to search information for the study. These included for example academic literature and articles, newspapers, magazines and Internet pages. From the information that was gathered, a literature review was created and a theoretical framework was formed from the literature review. After that potential companies for the empirical part of the study were screened (see section 3.2.2 for the criteria of selection case companies).

#### **Field Procedures**

The potential case companies were first contacted by phone and asked if they would be interested to take part in the study. After consent a short cover letter in Finnish (see Appendix 2 for the Finnish version and Appendix 3 for the English translation) was send with a brief explanation of the study and the topics that would be covered in the interview, as well as the contact information of the interviewer. If the exact time was

not agreed during the phone call, a few different options were suggested in the email. The first interviews were scheduled to be held in March and the last ones in May 2007

### **Case Study Questions**

An outline of the case study questions were created from the literature review and from the theoretical framework. Finally, after the case companies had agreed to take part in the study, case study questions were refined using the gathered information of the companies in question. (See Appendix 4 for the general interview questions in Finnish and 5 for the English translation)

### **Guide for the Case Study Report**

The individual case descriptions are presented as a part of this study, thus the information gathered from the interviews is presented. After the interviews a cross-case analysis was made to get a profound understanding of the information that were drawn together and the emerging patterns were tried to identify.

Furthermore, the report and the included cases and analysis have been written to the audience which includes scientific society and business managers as well as the evaluators of the Master's thesis.

#### ***3.2.5 Sources of Evidence***

Multiple sources of evidence were used to get profound understanding of the cases in question. In addition to the interviews, different documents and external sources, including Internet pages and newspaper and magazine articles, were used and combined to get a deep understanding of the case companies' situation.

The interviews were semi-structured having both specific and open ended questions, thus creating a possibility for the interviewee and interviewer as well, to discuss a topic that was not included in the study questions if it was found to be relevant. Furthermore, the interviewer had an interview-form to ensure that all the relevant topics and questions were covered and also the interviews were taped. The interviews were scheduled to last

about a one hour. All the interviews were conducted in Finnish, because all the interviewees and the interviewer were native speakers of Finnish.

### ***3.2.6 Data Analysis Methods***

As Eisenhardt (1989) states it is required to get closely familiar with each case. This basically allows the unique patterns to emerge from each case, before the results are generalized across cases. This was done by creating individual case descriptions from each case. After when the all individual case descriptions were written, a cross-case analysis was created to find emerging patterns from the cases.

### **3.3 Evaluation of the Quality of the Research**

Yin (2003, 33-39) suggests criteria for judging the quality of research design. These four tests for ensuring the quality of doing case studies are followed and they are summarized in the Table 1 on the next page.



<b>Criteria</b>	<b>Case Study Tactics</b>
<b>Construct Validity:</b> <i>Establishing correct operations measures for the concept being studied</i>	<ul style="list-style-type: none"> <li>• Multiple sources of evidence used</li> <li>• Chain of evidence created through case data, interview recordings, interviewers' notes and case descriptions</li> <li>• Key informants reviewed a draft case study report</li> </ul>
<b>Internal Validity:</b> <i>Establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships</i>	<ul style="list-style-type: none"> <li>• Matching patterns between the theoretical review and empirical data</li> </ul>
<b>External Validity:</b> <i>Establishing the domain to which a study's findings can be generalized</i>	<ul style="list-style-type: none"> <li>• Literal replication used in a multiple cases</li> </ul>
<b>Reliability:</b> <i>Demonstrating that the operations of the study - such as the data collection procedures - can be repeated, with the same results</i>	<ul style="list-style-type: none"> <li>• Case Study Protocol created</li> </ul>

**Table 1: Case Study Tactics (Based on Yin 2003, 34)**

## **4. EMPIRICAL FINDINGS – INDIVIDUAL CASE DESCRIPTIONS**

### **4.1 Small Planet Ltd. – Founder and CEO Rami Korhonen**

#### ***4.1.1 Firm Background***

Small Planet LTD. is a Finnish company that provides technology solutions and turnkey services for mobile marketplace management and mobile social networking for mobile operators and media companies. The company was founded in 1998 by the current CEO Rami Korhonen and COO Rasmus Roiha and it has headquarters in Helsinki, Finland and currently employs 15 persons. The company is privately owned company. Their solutions are today used in more than a dozen countries and power over 10 million transactions monthly.<sup>1</sup>

Their solutions allow mobile operators and media companies to build high volume premium services above existing messaging and data infrastructures. With their current products, Download Center CX, Communication Center and MGateway mobile operators and media companies are able to combine content management and publishing and build high volume mobile chat, dating and social networking services for the operator's subscriber base. Furthermore, they are able to offer downloadable content to their customers, such as games and music, for instance, to mobile handsets.<sup>2</sup>

#### ***4.1.2 International Expansion***

Small Planet Ltd. started its international expansion in 2000 to Sweden and England. The company initially did not have an objective to expand to international markets, but to just serve the local Finnish markets. However, very shortly after the inception of the company they did take the international aspect into consideration and finally expanded to international markets. Swedish and British markets were chosen because of the close proximity of the Swedish markets, the size of the British markets and because of the language skills of the management team.

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<sup>1</sup> <http://www.smallplanet.fi> accessed 16<sup>th</sup> March 2007

<sup>2</sup> Ibid.

After the initial expansion to European markets, Small Planet internationalized its operations to Far-East Asia and to South America in 2002 and 2003. Currently their emphasis is on the European and especially in the Scandinavian markets, South American markets and in the Middle-East. Basically, these markets were chosen because of the lack of competition and they were getting better results with smaller investments from these markets. Furthermore, in these markets there is still a lot of untouched market potential left. Currently, Small Planet Ltd. is a profitable company and about 60% of their total sales come from international operations. Furthermore, about 12% from the total sales come from markets outside Europe, thus 48% of sales come from the European markets. However, they are aiming to expand even more to the global markets.

The initial reason why Small Planet chose to expand to international markets was the size of the local markets. The Finnish markets were not big enough, for example to cover the R&D costs of their products. Furthermore, they had a strategy to develop excellent products that they could introduce to multiple markets simultaneously. The company itself had an objective to develop an excellent core product that can be used in multiple solutions in many markets simultaneously.

One of the biggest challenges in Small Planet's internationalization process has been that there are lots of moving parts that affect the outcome of the process itself. The different players and actors in the international markets as well as different cultures increase challenges that Small Planet face during their internationalization process. Furthermore, not having enough face to face interaction with their distant customers is a serious problem. To overcome these problems Small Planet has tried to focus on the right things and not to conquer the whole world at the same time. Furthermore, even though the distances are quite large they have tried to contact their customers as frequently as possible, for example in trade shows where multiple customers can be contacted face to face within short period of time.



Currently, the company is growing organically, thus without the help of venture capitalists. However, organic growth is quite slow and according to Mr. Korhonen it is possible that some of the available opportunities are not used because they are not able to react to all possible opportunities. However, with organic growth they are getting a stable foundation for their company, which was not the case in the beginning of their internationalization process in 2000 when the company grew with the help of venture capitalists.

According to Small Planet's CEO Mr. Korhonen, they are in a very good position in the international as well as local markets currently. In the future Small Planet is trying to get a stronger position in their current markets in the Scandinavia, South America and Middle-East. However they are not closing the possibility to expand to the US-market. The problem, however, is that to be successful in the US-markets, it requires quite huge investments. Even though in the future it seems that there will be more competition against Small Planet's products, Mr. Korhonen is confident that because Small Planet's R&D has been successful, thus they have been able to create products that are more differentiated than their competitors' products as well as the market trends have been in the favor of Small Planet, they will be successful in the future in their global operations.

#### ***4.1.3 Financial Resources, Capabilities and Competencies***

After the inception of the company, Small Planet did not have problems of accessing finance for the company. The main reason for this was that in the late 1990s and early 2000 there were a lot of risk money available for start-up companies. With the help of venture capitalists the company's personnel was able to internationalize their operations and travel, market their products and get new important market information. Particularly they were able to develop their products and especially their core products, on which their existing products have also been developed. However, the burst of the "Internet bubble" had a significant effect for Small Planet's operations and especially their financial resources. The company had to downsize their operations in 2003. However,

in the beginning of 2004, an American investment company did a strategic investment to help Small Planet, becoming also the major owner of the company.<sup>3</sup>

However, they were able to survive the downsizing of their operations and currently the company is organically growing and they do not have much of investors that have invested in the company. However, for some projects investors have supported Small Planet's operations. However, because they do not have anymore extensive financial resources, it might be that they have not been able to benefit from all the possible business opportunities and serve their customers as well as they would have hoped.

#### ***4.1.4 Human Resources, Capabilities and Competencies***

##### *Internal Human Resources*

The founders of the company, the current CEO Rami Korhonen and COO Rasmus Roiha did not have basically any previous international business experience or experience of establishing a company before starting Small Planet Ltd. Their academic background was quite different from each other. Mr. Korhonen has a Master's degree in Sociology and Mr. Roiha has studied in a business school, but has not however graduated. On the other hand, Mr. Korhonen had some international experience from studies abroad. This goes hand in hand with the study of Luostarinen and Gabrielsson (2006), where they found that some managers of Born Globals are young and inexperienced in business management and international business.

After the establishment of Small Planet Ltd., they have had a significant emphasis to find and recruit excellent personnel. They used to have experienced business people with strong academic background in business or law in the top management of the company. However, this was found to be unsuccessful solution. The founders of the Small Planet were able to manage the company more efficiently than the experienced business people. Furthermore, Mr. Korhonen thinks that they have enough experience to

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<sup>3</sup> See e.g. [http://www.digitoday.fi/page.php?page\\_id=9&news\\_id=20047012](http://www.digitoday.fi/page.php?page_id=9&news_id=20047012) & [http://www.digitoday.fi/page.php?page\\_id=10&news\\_id=20036231](http://www.digitoday.fi/page.php?page_id=10&news_id=20036231) (accessed 12<sup>th</sup> May 2007)

expand their company to global markets with their current background and that they can be even more efficient and successful than before.

Finding and recruiting the right people has required a lot of time as well as financial resources from Small Planet. Also they have had some problems of having insufficient resources to recruit new personnel for R&D. However, they have been very successful in overall in finding excellent workers for their company and creating a tight community of workers. This has also one drawback; like Taatila (2004) had found out that if for example one person from the management team would decide to leave the company it would have a significant impact to the company's operations. This is the case in Small Planet, thus the managers have specific areas of knowledge of the company's operations that would be difficult to replace.

Currently, from the 15 employees, Mr. Korhonen and Mr. Roiha are the only ones in Small Planet having non-technical academic background. Basically, all but three employees are working in product development or in related areas. Important in their product development process is that they have specific processes how they are developing their products, which creates consistency.

#### *External Human Resources*

Small Planet uses sales consultants to get market information from their current markets as well as sales representatives in different markets. Through the company's history they have used consultants for training purposes to complement the skills and knowledge of their employees. This finding agrees with the study of Luostarinen and Gabrielsson (2006) where they found out that many Born Globals use external human resources. One of the main reasons why they have used consultants is that they do not have enough time to do everything by themselves. However, one challenge for Small Planet in hiring and using the services of consultants has been that there is no guarantee of the quality of the service; thus they have had both good and bad experiences of the services of consultants.



### *Marketing Capabilities*

Almor and Hashai (2004) argue that marketing should be done internally because it is a source of core competence. This is the case in Small Planet, thus marketing is done internally. They use some marketing channels, but they do not invest much of financial resources for marketing. Previously, when the company had investors backing up the company, Small Planet used a lot of different ways to do effective marketing. Currently, the Small Planet's financial resources restrict the possibilities to market their products. However they have been able to use public relations (PR) as a cost effective marketing tool. The newspapers and magazines give them free publicity, when they write articles about Small Planet's new products, for instance. However, PR in overall is not a fast marketing channel, even though in most cases when the newspapers and magazines publish the articles about their new products, Small Planet has already generated revenue from the products. Furthermore, Small Planet uses trade shows, like 3GSM, as a marketing channel, where the company is able to get in touch with their existing as well as new potential customers. Also they have used product demos as an effective marketing tool, thus they have been able to show concrete examples what their products are able to do.

Basically, they have quite limited marketing budget and they use other than financial resources to create effective and innovative marketing. If they would have more time and resources that they could use for marketing, there would be a possibility for better results. However, it seems that they do not need to do more work than their bigger competitors to get the same results. Even though, Small Planet lacks a real sales organization and salesmen that could be able to close more deals than they have been able to do, the bigger problem is still time. They do not have enough resources and time to supply products as rapidly as the demand requires.

### ***4.1.5 Technological Resources, Capabilities and Competencies***

Even though Small Planet's CEO Rami Korhonen states that having more financial resources could give them a possibility to develop their products faster, however, their current resources base gives them more a humble and stable situation. This basically

means that they are more concentrating on what they are able to do now and during the next 6 to 18 months for their current and new customers, and not what kind of innovations they could do five years from now.

Almor and Hashai (2004) argue that R&D should be internal. This is the case in Small Planet where R&D is totally internal, thus they have not outsourced any part of their R&D. However, they are getting suggestions from their customers how to improve their products. Basically, their developing strategy is that by developing products in already developed mobile markets in Finland, it is quite easy then to expand to developing mobile markets. Even though they have had previously quite similar products as their competitors have had, they have been able to differentiate from their competitors with their current product portfolio and create a competitive edge. Thus, they have been able to create more innovative and unique products that satisfy better the customers' needs and wants compared to their competitors' products. However, because their business is changing very rapidly they have not patented any of their products. They have not found it necessary to hide behind patents, but just to keep their products as interesting as possible.

Basically, Small Planet has been able to use their core products in a number of products, increasing the cost effectiveness of their R&D. Furthermore, they have been able to concentrate on improving and developing the core of their products and not wasting valuable time to routine processes that are not creating customer value. For Small Planet it is important to have flexible core products, on which it is easier to develop modular parts to complement the core products and create customer value for new customers as well as for existing customers through upgrades.

Alahuhta (1990, 39) and Gabrielsson and Gabrielsson (2003) suggest that for SMEs standardized products with universal appeal are better solution than differentiated products. This is true also in Small Planet, whose core products are standardized; however they are doing small adaptations to their products depending on their customers' needs and wishes. The most important benefit of having standardized product platform for Small Planet is cost efficiency. For Small Planet it would not be



feasible to make an adapted product to all customers, because it would be too expensive. However, the challenge for Small Planet having standardized products is that they are not able to do everything that their customers are wanting.

Even though with Small Planet's products mass market services are created, it can be stated that they operate in niche markets, where most of Born Globals operate (Rennie 1993). This is because only mobile operators or media companies that are willing to offer mobile services to their subscribers, are the potential customers for Small Planet, thus Small Planet is operating in a quite narrow business-to-business market. Furthermore, they did not even have direct competitors to their initial product, because they were very early in the markets.

Even though it is true that it is important to be first in the markets as Luostarinen and Gabrielsson (2004) state, however, For Small Planet it has not always been necessary. Small Planet has been among the very first in many of their markets with their products, however not every time. This is because Small Planet has both types of customers; those that start mobile services with Small Planet's products and those that have been unsatisfied with Small Planet's competitors' products and have changed to Small Planet's products. Basically, they have had both optimal product launches as well as non-optimal ones, though in most cases the product launches have resulted in a good market position.

Currently as well as in the future it is important to Small Planet to offer products and services with collective focus and furthermore they think that it will be a key success factor for companies in the digital media industry. This is also where Small Planet is focusing on their products. It seems that the developments in the mobile handsets or networks are increasing the potential usage of Small Planet's products. For example, in Finland the bundling of 3G mobile phone to mobile operator's service has increased the usage of their products. It seems that Small Planet is extremely good at knowing what kind of media the mobile industry actually is and especially what the end-users want from their mobile services. Even though for example the technologies in the mobile handsets or networks change, the core of end-users needs and wants does not change



that much and this seems to be a success factor for Small Planet. Mr. Korhonen addresses that they used to think too widely about the markets, but now they have been able to focus more on what the end-users actually want from the mobile services.

#### ***4.1.6 External Networks and Relationships***

Before establishing Small Planet Ltd., the founders did not have any usable contact networks, thus all the contacts have been created during the company's existence. Laanti et al. (2006) and Zahra et al. (2003) have argued that external networks are greatly beneficial for Born Globals. This is especially true for Small Planet. They have used extensively external networks in their internationalization process. They have used for example the help of Ministry of Trade and Industry and Finpro in Finland to get in touch with potential customers in international markets. Almost all customers that Small Planet has gathered have been found through partners and networks having ties to local markets. Furthermore, they have been very open to external partners and have been collaborating with local players and even with direct competitors to get an access to new markets. For example Small Planet has even supplemented their competitors' offerings with products that their competitors have lacked. Furthermore, their sales channel partners have helped them to internationalize to South American markets. The usage of external partners as a sales or distribution channels has opened doors to many different markets and has increased their potential customer base. However, not always the use of external partners and networks has been beneficial. There have been cases which Small Planet has not been able to get new customers, losing both time and valuable resources.

#### ***4.1.7 Company's Competencies***

One of the most important reasons why Small Planet has been successful is that they have been able to keep their products interesting. They have had a profound understanding what their customers as well as end-users want and need from mobile services and Small Planet have been able to offer products that fulfill those needs. This knowledge and competence pool that has generated market knowledge for Small Planet has accumulated during the existence of the company. In the beginning of the company,

they did produce a wide range of different products increasing their skills set. Also they have been able to avoid the possible pitfalls and have been able to focus on the right things, such as developing products that the customers need.

Mr. Korhonen thinks that in comparison to their competitors, Small Planet's has put a lot of effort for creating real, usable products. Basically, Small Planet has emphasized the level of productization of their products, thus they have had significant emphasis on creating actual and usable products for their customers. It seems that their competitors are doing too much of custom projects, meaning that they are doing adapted software for their customers. The difference is that Small Planet thinks more customer-oriented way, thus what their customers are needing now and in the near future and how the different needs of different customers could be combined. Their competitors on the other hand, are developing adapted offerings more in terms of the customer. Small Planet's competitors are trying to fulfill all the needs and wants of their customers creating inefficient products that cannot be used for other customers, creating for example cost inefficiency.

In conclusion, Small Planet has used a lot of time and resources for creating external networks and customer contacts. They have been able to develop excellent products that are fulfilling the needs and wants of their customers. They have been able to use PR as a quite efficient but especially cost effective marketing tool. They have been able to keep their company flexible, dynamic, responsive and fast moving company, creating competitive edge against competitors.

## **4.2 Valimo Wireless Ltd. – Founder and COO Jarkko Elonen**

### ***4.2.1 Firm Background***

Valimo Wireless Ltd. is a Finnish software company founded in 2000 by its current COO Jarkko Elonen. It is privately owned company including Nordic and North American investors. It has headquarters in Helsinki, Finland employing about 30 people. In 2006 it had more than 40 customers, including mobile operators, financial

institutions and governmental departments in 10 different countries having a reachable customer base of 55 million individuals.<sup>4</sup>

Valimo Wireless offers software solutions to mobile operators. With Valimo Wireless' solutions mobile operators can offer wireless authentication to corporate resources, online banks and other web-based systems for their subscribers. Furthermore, they can be used to verify e-commerce transactions and digitally sign documents. Its product line consists of user authentication, transaction management and payment handling products. For example, with Valimo ID Suite mobile operators are able to offer trusted mobile services and security features as a service where user authentication and transaction validation is secured with digital signatures. These signatures are generated with the mobile phone subscriber's SIM card.<sup>5</sup>

#### ***4.2.2 International Expansion***

The first big international customer for Valimo Wireless came from Kuwait in 2004. The reason why they were able to expand to Kuwaiti markets was that the Kuwaiti mobile operator had a Finnish manager that had contacts to Valimo Wireless. The international markets were an objective for Valimo Wireless right from the beginning of the company, because of the size of the local markets. The potential customer base in Finland, thus the three major mobile phone operators, was not seen sufficient for Valimo Wireless and its growth. However, they did recognize that it is important to get the Finnish operators as their customers before internationalizing their operations. This was because it would increase their credibility in the eyes of their potential customers, because they could show that they would be able to deliver good and usable products to large customers. Currently they have customers all over Europe, for example in Slovenia, Sweden, Turkey and Spain as well as in South America and Australia. About 80% of Valimo Wireless' sales come from international markets. However, less than 10% of the international sales come from markets outside Europe. In the future the

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<sup>4</sup> (<http://www.valimo.com/> accessed 16<sup>th</sup> March 2007)

<sup>5</sup> Ibid.



emphasis is likely to change towards markets outside Europe. Valimo Wireless is aiming at that about 40% of their sales would come from markets outside Europe. In overall Mr. Elonen thinks that Valimo Wireless is doing very well at the moment, because it seems that they are doubling their turnover this year.

One major challenge for Valimo Wireless according to their COO Jarkko Elonen is that they have quite limited customer base potential, because they are operating in a quite small niche market. The total number of mobile operators is quite small around Europe, being from 2 to 4 per country totaling to about 100 potential customers in Europe. However, there are not much of potential competitors for Valimo Wireless currently. All the competitors are small like Valimo Wireless and come from Finland or from other Scandinavian countries. This is because the industry is quite new and there are not that many companies offering mobile authentication solutions.

Furthermore, one of the reasons why they have customers in certain countries and not in some is linked to the development stage of the markets' and their mobile infrastructure. Even though Valimo Wireless have had similar kind of emphasis in all European markets, some markets and the mobile operators have been more willing to offer Valimo Wireless' solutions to their customers.

Because they are a small company employing only about 30 people and their customers are quite big companies employing for example 10000 people, it has created some credibility issues. The larger companies have not been confident that Valimo Wireless can fulfill their requirements. However, because Valimo Wireless have been able to show to their customers that they are able to deliver what has been promised they have been able to get good references.

Currently, Valimo Wireless is growing organically. They did buy a company last year, however they are not thinking of doing any more acquisitions. Mr. Elonen states that the challenge in growing organically is that it is quite slow. However, venture capitalists have invested into Valimo Wireless giving them extra finance enabling them to grow faster than they would only through organic growth.

#### ***4.2.3 Financial Resources, Capabilities and Competencies***

After the establishment of the company, Valimo Wireless had some difficulties to find investors to invest into the company. The reason for this was that the company was established just after the burst of the "Internet bubble" that did affect to the venture capitalists' confidence to invest into the mobile industry. At that time the customers were also unwilling to invest into new technologies, creating challenges for Valimo Wireless. Because of the lack of resources, Valimo Wireless did not have enough resources in R&D, marketing and sales and they were not able to hire as much people as they would have needed. Currently, Valimo Wireless relies mainly on organic growth as their main financial source. However, they have venture capitalists that have invested into the company, enabling Valimo Wireless to grow faster than solely through organic growth.

#### ***4.2.4 Human Resources, Capabilities and Competencies***

##### *Internal Human Resources*

The founder and COO of Valimo Wireless Jarkko Elonon has graduated from Helsinki University of Technology. He has also made some international studies abroad as well as studies in business related fields. Furthermore, he has a decade of experience from the Finnish mobile industry from both technological as well as international business side, before establishing Valimo Wireless. Mr. Elonon thinks that the previous experience gathered before establishing Valimo Wireless has been quite sufficient. He however states that there is always something that you could know more, but still the possible knowledge and skills gathered from extra studies, for example, would have not changed things much. Furthermore, Mr. Elonon has previous experience of establishing a company. He did have a company with his friend, giving valuable knowledge and experience how to run a small company. Even though, Mr. Elonon has previous business experience, he does not have much of international business experience, although in his previous work he did get some experience from international markets.



Currently, from the 30 employees about 10 employees work in R&D, 10 in marketing and sales and 10 in other activities, such as product management and management of customer relations, for example. The employees have various backgrounds. Basically, the employees in R&D have a technical background and the workers in the sales and marketing have academic business backgrounds. They have quite a lot of people with international business experience from different mobile industries. There are about 10 foreign employees in the company increasing diversity and business as well as technology competence. According to Mr. Elonen there is a strong knowledge base in the company currently that helps them to expand their company even more. These findings that the managers of Valimo Wireless are internationally experienced business professionals is in contrast with the findings of Luostarinen and Gabrielsson (2006) where they state that the managers of Born Globals might be inexperienced in business management and international business.

In contrast to Taatila's (2004) findings, if a one important employee would decide to leave the company, there would be some effects however the effects would not be significant. However, because most of the employees have been 3 or 4 year in the house the effects would not be as considerable as they would have been just after the establishment of the company.

Valimo Wireless has had some problems of hiring skillful people, because in the Finnish markets there has been a lack of competent people in IT as well as in sales and marketing. According to Mr. Elonen, if they would have been able to find and recruit the right and competent people they would have been able to offer better quality as well as better efficiency. Actually, according to Mr. Elonen, one of the greatest challenges in their internationalization process has been the lack of competent and experienced international business professionals. This has partly been a financial problem, thus they have not had enough funds to hire "top of the line" business people, because of their high salaries.

According to Mr. Elonen it is important for an entrepreneur establishing a fast-growing technology company that he or she does believe in his or her abilities as well as what he



or she is doing. He or she should perseverant, because the development of new technologies can last for several years, thus needing both a lot of time and resources. Also Mr. Elonen thinks that some experience needs to be gathered from the industry, because even though good academic background will support and give opportunities as well, real industry experience is really valuable. Furthermore, technology knowledge is not sufficient, but the entrepreneur should have also business experience, because if the products are developed in a technology-oriented way, the products are not developed what the customers actually want and need.

#### *External Human Resources*

Valimo Wireless has used external human resources to support their internal resources, which supports Luostarinen's and Gabrielsson's (2006) study. They have used the services of external product developers in internal R&D or in external customer projects. Furthermore, they have used PR-offices as well as advertising companies to help their marketing department as well as law firms and business consulting companies. The main reasons for using external human resources has been that Valimo Wireless has not been able to find the necessary resources from inside the company or have not found skillful people from outside the company that they could have recruited. Furthermore, they have needed extra personnel for short-term projects, which have meant that it has not been a feasible solution to recruit fulltime employees, but to use consulting companies or other external human resources to support their internal resources.

According to Mr. Elonen one of the main benefits of using external human resources has been flexibility, thus for short-term projects they have been able to hire the needed extra personnel, without requiring to be kept after the specific project, for instance. Also, their experiences on the use of external human resources have been very positive. In most of the cases, Valimo Wireless has received what has been agreed with the consultants. The main challenge has been that the know-how of the external resources has not stayed inside the company after the projects. Furthermore, it has taken considerable amount of time to recruit the external personnel as well as to teach them how Valimo Wireless operates. Because, even though they are external personnel, they

need to be able to know how the company functions and operates in order to be efficient and productive.

### *Marketing Capabilities*

Even though the financial resources have in some ways affected Valimo Wireless' ways to do marketing, the effects have not been so big. This is because their main marketing channels have been face to face interactions and other direct contacting methods. The direct contacts to their existing customers as well as potential customers have been an important key aspect in the continuity of Valimo Wireless' business, because it is important that their existing customers are customers for them in the future as well. Furthermore, one of the main reasons why Valimo Wireless has been successful is that when they have had good customer success stories, they have been able to get good references that have created good attention that has resulted in business opportunities. Valimo Wireless has used Internet as a marketing channel. They have their own website, but also they have different kinds of websites with their partners promoting their solutions. Furthermore, they have used Google as a marketing channel, thus by searching with certain key words, Valimo Wireless and their website can be found.

Even though Mr. Elonon thinks that they have quite good skills set in their marketing department, they have used external partners to support their marketing capabilities. Valimo Wireless has previously used advertising companies as well PR-offices to support their marketing capabilities. According to Mr. Elonon there are always something new that you can learn about marketing, even though Valimo Wireless have quite a lot of knowledge and experience how to market their products efficiently. Mr. Elonon states that although they might lack the branding skills, the impact on their operations is not that big, because they are operating in a B2B -segment and not selling to consumers, thus there is probably no need for a stronger brand. The previous experiences on the advertising companies have been quite positive. They have been pleased with their services and the marketing results and it might be that in the future Valimo Wireless can use their services for selected and specific projects.



#### ***4.2.5 Technology Resources, Capabilities and Competencies***

The R&D of Valimo Wireless is not totally internal. They have used external product developers to help their R&D department with extra resources. The external developers have been signed for specific projects in internal R&D or in specific customer projects. The reasons why Valimo Wireless has chosen to externalize some parts of their R&D have been that there has not been enough time and resources to do everything by themselves. However, they have developed their core products entirely inside the company, thus only for the supporting products external product developers have been used. As mentioned, one challenge has been that the knowledge and know-how has not stayed inside the company after the external products developer's contract has ended. This has created some problems, because in some occasions when they have started to develop a newer version of their products, they have needed to start the development from the beginning, because the knowledge did leave the company when the contact of the external developer ended. Even though they have had some problems with external developers, Mr. Elonen is confident that they will use external developers in the future as well, because it might be easier to externalize certain parts of their products.

In R&D there are specific processes how the development of products is made in Valimo Wireless. There are good specifications how the products should be developed and how the development project should be managed. Especially, the specific processes ease the new employees' induction period. Because there are good guides and specifications how the development of the products is made, new employees are easily making productive tasks one week after they have joined Valimo Wireless.

Valimo Wireless has patented some of their technologies and products. The reasons why they have chosen to patent are that first it protects them from their competitors and second it gives them more credibility in the eyes of their customers. However, patents cost, thus they require financial resources and it also takes time to patent, taking valuable resources away from other activities.



The software products that Valimo Wireless offers are standardized as Alahuhta (1990, 39) and Gabrielsson and Gabrielsson (2003) suggest in their studies. There are however small adaptations made, for example language localization or market integration, depending on their customers' wishes and needs. Furthermore, the mobile operators' systems as well as the service structures differ between different operators that create a need for Valimo Wireless to adapt their products according to their customers' needs. However, Valimo Wireless is able to deliver their products much faster than the case would be if their products were built from scratch. Furthermore, it is much easier to sell their products when they are standardized, easing the installation process for example and decreasing the amount of time required to develop products. Also the products cost significantly less when they are standardized and the same product platform can be sold to multiple customers. Noticeable is that Mr. Elonen states that for Valimo Wireless there have not been any drawbacks of their decision to offer only standardized products, but only benefits.

Valimo Wireless has been able to use their core product in a number of products. Actually their initial core product that they started to develop in the beginning of the company is still their primary product. The other products that Valimo Wireless offers for their customers are more or less supporting products for their core product.

It has been quite beneficial for Valimo Wireless to be the first in their markets as Luostarinen and Gabrielsson (2004) state in their study. Even though they have not always been the first in the markets, according to Mr. Elonen they have been the first successful company in their industry. Actually, there has really been only a one company before Valimo Wireless in the markets that did offer similar kind of solutions. However, the company was not that successful and actually did create negative image about the industry, because they were not able to deliver what was promised. This has also created credibility issues for Valimo Wireless, because there has been a fear that small companies offering solutions for much larger companies cannot fulfill the requirements. On the other hand, Mr. Elonen addresses that still the company that was in the markets before Valimo Wireless did make quite a lot of good PR, easing the path to the markets for Valimo Wireless. A challenge in being the first in the markets for

Valimo Wireless has been that they have needed to train their customers quite a lot because the technologies and solutions they have been offering are new, which has required a lot of extra resources. In contrast Valimo Wireless has been very good in telling what their solutions are able to do business-wise, thus how the mobile operators are able to generate revenue through Valimo Wireless' solutions.

According to Mr. Elonen Valimo Wireless' does make a quite a lot of effort in contacting customers and getting feedback about what their customers want from their products. That information is compared to what they are developing now and how the customer needs could be combined to what they are developing and what they should be developing next. Mr. Elonen states that this is working very well, because their customers are also their partners.

Mr. Elonen thinks that because they have been able to think in a customer-oriented way, the timing of their product launches has been quite good. They have been able to launch their products when there has been demand for their solutions. They have done quite a lot of cooperation with their customers and their customers have been able to influence the timing of the product launches as well.

#### ***4.2.6 External Networks and Relationships***

The contact networks that previously existed before establishing Valimo Wireless have been beneficial for their internationalization process. This supports the findings of Laanti et al. (2006) and Zahra et al. (2003). According to Mr. Elonen, it has been much easier to contact persons that they have already known. Actually, their first international customer did have a Finnish manager that they knew already, thus they were able to get that customer because of their contact networks that were established before Valimo Wireless. However, they have still needed to do a lot of work in creating new contact networks as well. Mr. Elonen states that about 95% of their existing contacts have been created after the establishment of Valimo Wireless.



Valimo Wireless has used external partners as distribution channels, because of their smallness and because the channel partners in most cases have already had contacts to potential customers. Valimo Wireless just has not had enough time and resources to get in touch with all the potential customers by themselves. Furthermore, the channel partners have enhanced the credibility of Valimo Wireless. As mentioned before Valimo Wireless have had some problems with credibility, because they are a quite a small company and they are offering solutions to much larger companies. Valimo Wireless does have cooperation with other companies in some areas of product development. Valimo Wireless has partnered with other companies in certain R&D projects related to their products or their partners' products. There are, however, some difficulties for Valimo Wireless in using external partners as channels. It takes a quite a lot of time and resources to find partners that can get good customer contacts for Valimo Wireless. Furthermore, the external partners need support and also they need to be taught how Valimo Wireless operates and this requires valuable resources.

In conclusion, the knowledge of companies' management and business operations as well as the previous contact networks of the investors are also been very beneficial for Valimo Wireless and their internationalization process. From their investors Valimo Wireless has got valuable business information that they would not have had if they would have operated only with their own business experience.

#### ***4.2.7 Company's Competencies***

One of the key aspects why Valimo Wireless has been successful, according to Mr. Elonen, has been the business knowledge and experience of their personnel and especially their management team. Valimo Wireless has been able to learn from their customers' business problems enabling them to offer good products that their customers need. They have learned what works and what does not work with their customers. Mr. Elonen addresses that for them it is a great benefit to be able to learn from their customers and their customers' problems and how could they be solved with Valimo Wireless' products. This actually creates strong barriers against competitors, because for new companies trying to compete only with technology against Valimo Wireless,



without having good business knowledge, is quite difficult. Valimo Wireless has been able to not only to sell the products that enable it, but the whole idea of the business that their products make possible for their customers.

Actually, one of the most important points why Valimo Wireless has been successful is that they have had very good customer contacts. Mr. Elonen states that because their customers are like partners for them and their customers have been very satisfied with their solutions they have received very good references. They have been able to use these references as a good marketing tool for their potential customers.

### **4.3 Cidercone Ltd. – Founder and CEO Tuomas Kohila**

#### ***4.3.1 Firm Background***

Cidercone was founded in 2000 by its current CEO Tuomas Kohila. It is a privately owned company employing about 90 people and has headquarters in Helsinki with offices in Frankfurt, Nice and Oulu. Cidercone was the second fastest growing company in Finland (growth 2086%) between the years 2001 and 2005 when measured the growth of turnover, according to the consulting company Deloitte's Technology Fast 50 research<sup>6</sup>. In 2006 Cidercone bought a Finnish software company Celesta mBusiness Oy becoming largest solution provider in its own sector.<sup>7</sup>

Currently, Cidercone has customers in about 20 countries and more than 20000 users worldwide for their mobile platforms. The company has focused on selected industries, including Facility Management, Utilities and Laboratories. The company provides wireless and web based solutions for the needs of mobile field personnel as well as laboratory environments. These include, for example, consulting and process analysis, technology platforms, customized applications, mobile devices as well as flexible

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<sup>6</sup> [http://www.deloitte.com/dtt/press\\_release/0,1014,cid%253D130860,00.html](http://www.deloitte.com/dtt/press_release/0,1014,cid%253D130860,00.html) accessed 16<sup>th</sup> March 2007

<sup>7</sup> [www.cidercone.com](http://www.cidercone.com) accessed 16<sup>th</sup> March 2007

management, support and development services.<sup>8</sup> Furthermore, Cidercone has three main business areas. These include Life-cycle solutions offering outsourcing services, Smartlab mobile management systems for laboratories and Cidercone Motion field force management system. Smartlab and Cidercone Motion enable remote work solutions for mobile workers using mobile handsets to access data and information related to their work.

#### ***4.3.2 International Expansion***

In the beginning of company Cidercone did not offer any products to their customers, but only services. The software products came along a little bit after the establishment of the company. Furthermore, Cidercone started their internationalization process in 2003 when they started to do marketing research in France about the possible European markets where they could penetrate. They researched the markets, potential customers and the elements needed to successfully enter into different European markets. The market research itself gave a lot of useful information for Cidercone and where should they emphasize their international operations. The market research gave them enough information to get their first international customer, which came from Switzerland. Currently Cidercone operates in all over central Europe, Scandinavia and in the UK. Furthermore, they have customers through intermediates in the USA, South Africa and Australia. About 30-50% of their sales come from international markets, from which a significant part comes from the European markets and currently only a fraction from the sales are from markets outside Europe. The markets where Cidercone operate have been chosen, because in central Europe there are good potential customers having demand for their products, there is not much of competition, thus there is room for Cidercone and it is an easier market for a Finnish company culture-wise, according to Mr. Kohila.

Their emphasis is on the European markets currently, however, in the future they will focus more on the markets outside Europe and especially on the Asian markets and on the US-markets, where they are doing marketing research currently. Mr. Kohila is sure

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<sup>8</sup> [www.cidercone.com](http://www.cidercone.com) accessed 16<sup>th</sup> March 2007

that Cidercone have been able to build a good set of products and services that their potential customers want in the Asian and in the USA –markets, giving Cidercone excellent market opportunities.

From the beginning Cidercone had a goal to internationalize their operations. The initial reason why Cidercone started to internationalize was the smallness of the local Finnish markets. Basically in Finland there were not enough large customers for Cidercone in the niche market where they operate, resulting in lack of viable and profitable customers for their solutions creating need to internationalize. The biggest challenges for Cidercone in their internationalization process have been the sufficiency of their financial resources, finding the courage to internationalize the company and finding the right people to recruit.

When they launched their first products they did have direct competitors with similar kind of products. Nowadays, the 2 or 3 biggest competitors for Cidercone come from the USA. Basically, the USA can be considered as the innovation center of the industry where Cidercone operates. The other competitors in Europe, for instance, do not have good possibilities to compete against the more successful companies like Cidercone and the companies from the USA. Furthermore, most of Cidercone's competitors are same sized or smaller companies offering similar kind of products. The difference why Cidercone have been more successful according to Mr. Kohila is that the competitors have had a more researcher-based-view for their products, thus what kind of systems they are able to build. However, Cidercone has chosen to do things differently, they have been able to develop the needed technology and also they have had the contacts to the markets that have helped them to use their technological knowledge the best possible way enabling them to offer excellent products and services that their customers want and need. It seems that the technologies as well as the service concepts built on the technology are stronger than that of their competitors. The competition in the markets has not increased much during the last years and actually there have been companies that have exited the business.



Cidercone bought a Finnish technology company last year, which created some difficulties for them slowing their internationalization process. It was quite difficult to integrate the acquired company into Cidercone, taking both valuable time and resources from other activities. However, Cidercone is creating positive results currently and they are growing quite fast, with a growth rate of about 30%, but not as fast as they would hope.

#### ***4.3.3 Financial Resources, Capabilities and Competencies***

As stated earlier one of their biggest challenge in their internationalization process has been the sufficiency of their financial resources. Even though there are more financial resources used for R&D than previously, Cidercone has been able to grow organically without the help of venture capitalists or other investors. In the early phase of the company's life, they did have a venture capitalist that had invested into the company, however, the investment amount was not significant. Their decision to grow organically have resulted in that all actions and possible business opportunities have needed to be planned well and sometimes even too well, consuming valuable time. Furthermore, the lack of financial resources has resulted in that Cidercone has not been able to train their employees as much as they would have wanted. Also they would have needed more resources and emphasis on recruiting personnel. Even though there have been some challenges because of the lack of financial resources in certain activities, Mr. Kohila thinks that still one of their strengths compared to competitors is that they have been able to manage their financial resources well enabling a sustainable organic growth. During the existence of Cidercone the usage of financial resources has not much changed.

#### ***4.3.4 Human Resources, Capabilities and Competencies***

##### ***Internal Human Resources***

Before establishing Cidercone the founder and CEO Tuomas Kohila did not have much of international business experience. He has a Master's degree from Helsinki University of Technology and has made studies in Helsinki School of Economics; however he has

not graduated from that school. Furthermore, he has made studies in a university in the USA focusing on finance and marketing in his studies. He had some previous work experience from different technology companies, however, he did not have any experience of establishing a company.

His own opinion is that the knowledge and experience acquired before the establishment of Cidercone seemed to be not enough to establish a company. However, he has been active to train himself during the existence of Cidercone. He has studied the management of expanding business in the University of Stanford and he has also attended to other similar kind of trainings as well. He stated that the trainings have been very beneficial for him and for the company as well, giving good information about the competitiveness of an expanding business.

The main reason why Cidercone was established comes from the characteristics of the founder itself. Mr. Kohila addressed that he thinks himself as an entrepreneur. Furthermore, he had a lot of ideas and he wanted to do things that "could make the world a better place". According to Mr. Kohila, entrepreneur in overall should be firm, able to operate within a small cycle, have courage to try things and most importantly to be fast to react to new opportunities and have ability to learn.

One of the major problems in Cidercone is that there has been a lack of management skills, especially in the middle management as well as in the technology management. This challenge has come up from the problem of finding and recruiting personnel. For Cidercone it has been quite difficult to find excellent workers especially for their middle management in Finland. Basically, the availability of experienced professionals has not been sufficient to fulfill Cidercone's needs.

Currently Cidercone has about 90 employees of which about 20 work in R&D. The managers and employees of the company have various backgrounds. Some employees have international business experience, but most of the personnel have technical backgrounds. In contrast to Taatila's (2004) findings, even though all the employees are important for Cidercone, Mr. Kohila states that it would not have any significant impact



to the company if one person from the management team, for example, would decide to leave the company. This is because they have built their organization in such a way that no person is irreplaceable. However, some employees are of course experts in their own field, and their decision to leave would create some short-term challenges for Cidercone.

According to Mr. Kohila it seems that the current management team does not have enough knowledge and experience to manage the company the best possible way. He states that there is still a lot to learn about international business for Cidercone. The inexperience basically affects the speed of decision making in Cidercone's organization, thus they are not fast enough to make the correct decisions.

For Cidercone internal company culture has been a competitive edge against competitors. Mr. Kohila states that for being successful, the company culture created not only through predetermined rules, but also by evolving itself, needs to be in line with company strategic decisions and it needs to support what the company wants to actually achieve with its operations. This has happened in Cidercone and they have been able to build a competitive company culture that supports their business and operations, even though there is still room for improvements. Also Knight and Cavusgil (2004) have addressed that for Born Globals the company culture needs to be innovative in order that they can be successful. Furthermore Mr. Kohila states that a company needs to be able to renew itself and a good company is able to see the business opportunities that are close by.

#### *External Human Resources*

Cidercone uses consultants to complement the knowledge and skills of their existing personnel. This agrees with the findings from Luostarinen's and Gabriellsson's (2006) study that some Born Global –companies use external human resources. By using consultants Cidercone is able to get new resources, new views to do business and most importantly good consultants understand Cidercone's customers and what the customers think. Mr. Kohila thinks that for Cidercone it is an opportunity to use consultants to support their business.



### *Marketing Capabilities*

The lack of financial resources has had both a positive and a negative impact to the marketing capabilities of Cidercone. The positive side is that Cidercone has needed to find new and innovative ways to do effective marketing. However, the negative aspect with the lack of financial resources is that Cidercone cannot do massive marketing campaigns. Cidercone uses PR, thus magazines and especially professional magazines as one of their marketing channel. However, the emphasis is on direct marketing to their customers and events like industry related trade shows. Even though Cidercone has not utilized Internet much as a sales or marketing channel for instance, because it has not been as an efficient channel currently, but according to Mr. Kohila it might be that Internet will be used more as a sales or marketing channel in the future.

Like Almor and Hashai (2004) recommend in their study, marketing is done internally in Cidercone, because according to Mr. Kohila, the basic marketing capabilities needed to market their company and its products are found inside Cidercone. However there is not enough time to make their marketing efforts as innovative as they would hope. Sometimes Cidercone is able to find new innovative ways to do effective marketing, but the time constraints give a lot of challenges. Cidercone has tried to overcome their lack of marketing resources by using external advertising companies, however, the results have not been as good as they would have hoped.

Cidercone is actively contacting their existing customers. This is because they are basically "married" with their customers three to five years after the customer's purchase decision, thus they need to nurture their customer contacts. Mr. Kohila states that good customer contacts and close relationships not only result in good publicity, but they are also able to get good feedback about their products and services and how they could be able to improve them.

#### ***4.3.5 Technology Resources, Capabilities and Competencies***

Cidercone does their R&D, like Almor and Hashai (2004) suggest, entirely in-the-house with about 20 persons, thus they do not outsource any part of their R&D. The reason not to outsource is that their products are not that massive. This means that they have not needed external resources to support their internal R&D in developing the products, thus they have had enough resources to develop their products internally. Furthermore, Cidercone gets customer feedback about their products and how should they improve them. Cidercone do not have specific step-by-step processes dedicated how they do their R&D. This is because in their product development they have focused especially on communication between workers, gathering knowledge and information that can be used in R&D. Furthermore, the sales and marketing departments work a lot together, increasing the knowledge and information of what the customers actually need and want from Cidercone's products. Cidercone uses these customer requirements as a basis how they develop their solutions.

Cidercone's product platform is standardized. Alahuhta (1990, 39) and Gabrielsson and Gabrielsson also have suggested in their research that for small or medium sized companies standardized products are a better solution than totally differentiated products. For Cidercone standardized products help them to achieve economies of scale, thus to develop products with lower costs. It also increases the competitiveness of Cidercone's products and gives them possibilities to show live demos of their products to their customers. According to Cidercone's CEO Tuomas Kohila standardized products are a necessity for them. However, even though they have standardized products they localize the language of their products for their customers. This is because the users of their solutions have not all studied languages that much, creating a need to have the solutions in the end-users' native languages. However, Cidercone's products are built in a way that the localization is quite fast and they are able to do it efficiently.

Cidercone has been able to use their initial innovation in a number of products. The benefits in the ability to use the initial innovation in many products have resulted in



economies of scale as well as the personnel have been able to use their innovative capabilities all around the company to help them in their operations.

In contrast to Luostarinen's and Gabrielsson's (2004) findings for Cidercone it is not necessary to be first in the markets and they haven't been first in their markets with their products. Actually, Tuomas Kohila states that it might be even dangerous to be first in the markets in the IT-industry nowadays. It is good to be among the first in the markets, but not the first. Even though there is no need for Cidercone to be first in the markets, they have not been satisfied with the time to get their products to the markets. There seems to be quite a good demand for their products even before they launch their products. However, Mr. Kohila states that the timing of their product launches have not been unsuccessful, but there is just already existing demand before the launch. Even though with having more financial resources Cidercone would have been able to develop their products faster, the bigger challenge has been that they still need to learn more about how they actually develop their process, thus what kind of process it is.

Even though the product life-cycles are getting shorter, the shortening of product life-cycles has not had a great impact to Cidercone's business. However, they would hope that the product life-cycles would be even shorter, giving them more market and sales opportunities. Also because their solutions are software-based, Cidercone has not patented or protected any part of their products or technologies.

Currently Cidercone is focusing on the strengths of their core products and how could they improve them. In the future, however, they will try to expand their product and service portfolio around their core products. This is because the company is still small and needs to focus on the core products and especially on the quality, functionality, diversity and usability of their core products. Furthermore, in the future Mr. Kohila believes that the business services offered over the Internet will grow significantly and almost all the mobile solutions will be used through a web browser. However, the challenge is that the competition will increase. As Mr. Kohila states there might be possibilities for other companies from different industries to penetrate into Cidercone's markets quite easily.



#### ***4.3.6 External Networks and Relationships***

Basically, in overall the networks and relationships that already existed before the establishment of Cidercone have been beneficial for Cidercone's operations and its growth. This supports Laanti et al.'s (2006) and Zahra et al.'s (2003) findings. However, the already existed networks have not been beneficial specifically for Cidercone's internationalization process. These networks have, for example, given valuable market information for Cidercone. Furthermore, they have been able to get in touch with the right persons in different markets, resulting in business opportunities, and they have been able to get reference information through communicating and sharing information with their networks. Also Cidercone has used external partners to distribute their products to certain markets through common channels. For Cidercone a challenge in using external partners in distribution has been that who is responsible for customers' problems. The benefits on the other hand have been that when distribution with the external partner has been specified well, it has been an easy and effective sales channel for Cidercone.

#### ***4.3.7 Company's Competencies***

Cidercone has had very strong technological resources, thus they have been able to combine their technological know-how in open source software like Linux and their knowledge in Internet based technologies resulting in excellent solutions for their customers. Basically, the result is that one of the major reasons why Cidercone has been very successful and better than its competitors is that their products have been more innovative than those of their competitors. Furthermore, according to Mr. Kohila Cidercone's products meet the customers' needs better than those of their competitors. They have a good market focus, good R&D resulting in excellent products responding to the customer needs and furthermore room in the markets for their products.

In conclusion, for Cidercone the most important resources and competencies in their internationalization process have been the human resources that actually work with their

international expansion. Furthermore, they have been managing their financial resources very well enabling a good and sustainable organic growth. Also they have been able to do their technology selection well, thus they have been able to focus on the right technologies and solutions that their customers want and need. They have been able to stay flexible and as well as use the available opportunities efficiently.

## 5. DISCUSSION AND ANALYSIS

### 5.1 Cross-Case Analysis and Synthesis

In the following chapters cross-case analysis and the synthesis of the case companies' individual case descriptions are presented. The information collected from the interviews and from the literature review is compared and contrasted.

#### 5.1.1 Firm Characteristics

In the table 2 the case company details are summarized. All the case companies are small or medium-sized companies employing from 15 to 90 people. All are Finnish based, even though some of the companies such as Cidercone have a few offices in other countries as well. The case companies all operate in niche business-to-business markets, where there is not much of viable competition. These findings give support to Rennie's (1993) and Luostarinen's and Gabrielsson's (2006) studies, where they stated that most of the Born Globals operate in niche markets. Also Luostarinen and Gabrielsson (2006) addressed that it is feasible for Born Globals to operate in B2B segment, because of the lack of specific resources that they would need if they would be operating in B2C markets. Furthermore, all the case companies are software providers. Compared to the other case companies, Cidercone offers their customers the complete package, not only the software solutions but also extra value-adding services.

	Small Planet	Valimo Wireless	Cidercone
Year of Establishment	1998	2000	2000
Number of Employees	15	30	90
Products	-Content management solutions for existing messaging and data infrastructures (software)	-Wireless authentication, transaction management and payment handling solutions (software)	-Wireless and web based solutions for mobile workers (software and services)
Operates in a niche market?	Yes (B2B)	Yes (B2B)	Yes (B2B)

**Table 2: Company details**



### ***5.1.2 International Expansion***

The table 3 summarizes the key details of the case companies' international expansion. All the case companies started to internationalize within three to four years of the company's establishment, as in the Knight's and Cavusgil's (1996) definition of Born Globals. Important finding is that the case companies' initial reason why they chose to internationalize was the smallness of the local Finnish markets. For all the case companies, there were not enough good potential customers in Finland that could cover their R&D costs and keep them expanding, leading to the need to internationalize their operations. The smallness of the local markets not only for Born Globals but for other companies as well is a major challenge. There is a noticeable pressure to internationalize technology companies, because product life-cycles are shortening (Kuivalainen 2003, 81) and companies need to get good profits from their products, before their opportunity windows close.

	Small Planet	Valimo Wireless	Cidercone
Started to internationalize	2000	2004	2003
Why chose to internationalize?	-Smallness of Finnish markets	-Smallness of Finnish markets	-Smallness of Finnish markets
What were the first markets and why?	-The UK and Sweden -Proximity of the markets and language skills of the founders	-Kuwait -Had previous contacts to the customers' management	-Switzerland -Got good market information from their market research
Current markets?	-Europe especially Scandinavia, South America, Middle East	-Europe, especially Sweden, Turkey, Spain, South America and Australia	-Central Europe, Scandinavia, the UK, the USA, South Africa, Australia
Current internationalization degree (% of the total sales)	International sales: 60% Europe: 48% Outside Europe: 12%	International sales: 80% Europe: >70% Outside Europe: <10%	International Sales: 30-50% Europe: 30-50% Outside Europe: Only a fraction of the international sales
Stage of the Born Global (see Luostarinen and Gabrielsson 2006)	Development stage Born Global	Development stage Born Global	Starting stage Born Global

**Table 3: Internationalization details of the case companies**

Two case companies had their first international customers from European countries and one case company had from the Middle-East. The reasons why the case companies chose to internationalize to these markets were manifold. For example Small Planet chose their first markets, because they were close and because of their management team's language skills and Cidercone, because they got good market information from their market research. Valimo Wireless on the other hand had contacts to their first customers' management. Not all the case companies had a clear second stage of international expansion. However, for Small Planet a second stage of internationalization can be identified. After the European markets Small Planet internationalized to Far-East Asian and South American markets. Basically all the other

case companies Cidercone and Valimo Wireless just started to use more resources for their international operations, and they were able to get new international customers.

Currently, the focus on all the case companies is on the European markets, thus most of their international revenues come from the European customers, and only a small part come from outside Europe. Depending on the case company about 30% to 80% of their sales come from international markets, but only a small portion from markets outside Europe. However, all the companies are aiming to globalize their operations and increase their involvement in markets outside Europe, thus they have a global vision. The major reason why they have chosen those markets where the case companies currently operate in has been the lack of viable competition. They have been able to find markets where there is room and demand for their solutions. This finding supports Luostarinen's and Gabrielsson's (2006) study where they addressed that Born Globals operate in markets where no viable competition exists.

There are lots of challenges that the case companies have faced during their internationalization process. The lack of time has been one of the most difficult ones. The case companies have not had enough time to do the things they would have wanted. For example Small Planet's CEO stated that there is not enough time and resources to face-to-face interactions between them and their customers. They have tried to overcome this problem by using trade shows, for example, as an effective channel to contact multiple customers in a small amount of time. Also the lack of financial resources and finding competent people to work, have been major challenges for the case companies.

Because all the case companies are operating in quite small niche markets, the customer base potential is not big. For example the possible customers for Valimo Wireless are mobile operators. The initial reason why Valimo Wireless chose to internationalize was that there are only three major mobile operators in Finland, thus the markets are easily saturated.



In conclusion, it is important to note that for all the case companies the initial reason why they started to internationalize was the smallness of the local Finnish markets. There were not enough good customers for the case companies' solutions that it would have been feasible in the long run not to internationalize. Furthermore, the current markets have been mainly chosen because of the lack of viable competition, thus they have been able to find markets, where is room and demand for their products.

### ***5.1.3 Financial Resources, Capabilities and Competencies***

All the other case companies except Small Planet did have some problems finding investors just after their companies' establishment. The reasons why Small Planet did not have difficulties was that the company was established in the late 90s before the "Internet boom" burst, thus there were a lot of "angel investors" trying to find good companies to invest. But in the case of Cidercone and Valimo Wireless, the companies were established after the burst, which meant that among the investors there was not much confidence on technology industries. As Lee et al. (2001) has stated the financial resources have restricted the case companies' possibilities to develop and market their products as well as hire employees.

However, all the case companies have had venture capitalists that had invested into the companies. The amounts have however differed. For example Small Planet had quite a lot of external finance just after the establishment of the company, easing their initial internationalization process. They were able to market their products more efficiently, travel and contact potential customers as well as get new important market information. Especially, they were able to use those external financial resources for developing their core products, on which their existing products have also been developed. Even though Valimo Wireless has relied mainly on organic growth, the venture capitalists investments have increased the speed of their internationalization process significantly. These findings support Gabrielsson et al.'s (2004) study where they addressed that superior financial resources increase the speed of internationalization of Born Globals. However, for example in the case of Cidercone, the amounts of the external investments have been insignificant for their operations and internationalization process.

Even though the case companies have had venture capitalists that had invested into the companies just after they were established, this has changed during the companies' existence. Currently, all the case companies rely mainly on organic growth, through their revenues. However, Small Planet receives some small investments to specific projects, increasing their financial resources and capabilities and as noted earlier Valimo Wireless has some investors supporting them to expand.

However, the decision to rely mainly on organic growth creates some challenges for the case companies. It has slowed down the growth and internationalization process and the companies have not been able to exploit all the possible business opportunities that they would have wanted. The lack of available financial resources has been one of the most important problems for the case companies. The lack of financial resources has resulted in that the case companies have not had enough resources to hire more competent people for R&D or marketing and sales, for example. Furthermore, for example Cidercone has not been able to train their employees as much as they would have needed.

Interesting is that according to Cidercone's CEO Mr. Kohila, they have been able to manage their financial resources very well giving them potentially a competitive edge against their competitors. This could mean that if a Born Global -company is able to manage their scarce financial resources well and allocate them the best possible way, Born Globals might overcome some of the problems of financial resource scarcity. However, this does not mean that there would not be need for more financial resources, but by allocating the financial resources well to the most important operations, all the available financial resources are used in the best possible way.

To summarize, the lack of financial resources does restrict and slow down the internationalization process of the Born Globals. Lacking financial resources, the case companies have not been able to hire enough competent people for R&D or marketing and sales. This has resulted in that the product development processes have slowed down and the companies have not had enough time to contact all the potential customers



and losing market opportunities, for instance. However, even though the case companies have relied mainly on organic growth as their source of finance, they have had external investors as well. When the case companies have had investors backing up the company, it has increased the speed of their internationalization process significantly and they have been able, for example, to develop and market their products more efficiently. Thus, this means that even though most of the time the Born Globals are struggling with their financial resource scarcity, by using external investors they are able to get extra finance which makes the internationalization process much easier. However, the problem can be with using external investors that their objectives differ from the company's own objectives as stated by Luostarinen and Gabrielsson (2006) in their research. The venture capitalists might be expecting short-term profits whereas the founders of the Born Globals would be expecting long term returns.

#### ***5.1.4 Human Resources, Capabilities and Competencies***

##### *Internal Human Resources*

The founders of the case companies did not have much previous business experience before establishing the companies except the founder of Valimo Wireless. They all had some previous work experience, but not much experience from international business areas. These findings support Luostarinen's and Gabrielsson's (2006) study where they stated that managers of Born Globals are young and inexperienced in business management and international business. Furthermore, the founders of the case companies, except Valimo Wireless' Jarkko Elonen, did not have any experience of starting up a company. Basically, all the founders of the case companies agreed that their previous experience was not enough to establish their companies. Even though some companies, such as Small Planet have used experienced business people in their top management, it was found to be an unsuccessful solution. The founders were able to manage their company more efficiently than the experienced professionals. However, in the case of Valimo Wireless, they have had quite a lot of international business experience in their management and in their sales department, helping them to expand to international markets. This supports the studies of Andersson and Wictor (2003) and Laanti et al. (2006) where the authors find out that the managers of Born Global –



companies have quite a lot of business experience, which is the case in Valimo Wireless.

In the case companies there has been a significant emphasis to find and recruit excellent personnel. For example, Small Planet and Cidercone have been able to build a good organization creating a tight community of workers and a competitive company culture. However, the recruiting process of new personnel takes a lot of time as well as resources from other important activities. For the case companies, the lack of financial resources has also had an effect on the ability to recruit new experienced personnel because they usually require higher salaries. Furthermore, there have been problems of finding competent business- as well as IT-professionals from the Finnish markets. Also for example in Cidercone, the lack of financial resources has restricted their ability to train their employees.

#### *External Human Resources*

All the case companies have used some kind of external human resources to complement the knowledge and skills of their personnel. This finding is in line with the study of Luostarinen and Gabrielsson (2006) where they stated that many of the Born Globals use external human resources. One of the most frequently used external human resources has been external consultants. By using consultants, the case companies have been able to get more resources, market information, training for their employees and new views and ideas how to do business. The main reasons why the case companies have chosen to use consultants have been that the needed skills have not been found inside the company and there has not been enough time to do everything by themselves. Also, the case companies, and especially Valimo Wireless, have hired external human resources because it is a flexible resource. Thus external human resources can be used for short-term projects, because there is no need to keep the extra personnel after a specific project.

The challenge however, with using external human resources and their services has been that there is no guarantee of the quality of the services they offer. Even though, mostly the case companies' experiences of external human resources have been

positive, however, the negative ones have basically meant that the companies have spent their valuable resources and time for services that have not been beneficial for them. Furthermore, the knowledge and know-how of the external personnel has not stayed inside the company after the externals have left from the company when their contracts have ended.

### *Marketing Capabilities*

In all the case companies marketing is mostly done by internal department as Almor and Hashai (2004) suggest in their research. However, the case companies have used the services of advertising companies to support their marketing department. For example, they have been able to get new ideas how they could do more innovative marketing. However, there are some differences among the case companies about the benefits of using advertising companies. Cidercone, for example has not been pleased with the services they have offered, because the results have not been what they had hoped. But on the other hand, Valimo Wireless has had positive experiences in using advertising companies, improving their marketing capabilities.

The financial resources have affected the ways that the case companies market their products. Even though the case companies in overall have the necessary skills to do effective marketing, due to their resource scarcity they have needed to find new innovative ways to market their solutions. For example, because they do not have enough financial resources to do big marketing campaigns, they had to contact their customers directly and actively and they have used PR as a marketing channel. The active and direct contacts with customers have had certain benefits. For example good contacts and relationships with customers have resulted not only in good publicity, but the case companies have been able to get necessary feedback how they should develop their products. Furthermore, having articles about their new upcoming products in professional magazines has been an effective but slow marketing tool for their products. Also trade shows have been an efficient way to contact many of their existing as well as potential customers in a short period of time, thus they have not needed to use valuable time for traveling.



Especially Valimo Wireless has been very successful with their business, because they have used their previous customers as a very effective marketing channel. By delivering solutions that have fulfilled the needs of their customers, they have been able to get good references. For Valimo Wireless these references have been very important when trying to get new customers. By showing that they are able to deliver what they have been promising, they have received new customers.

In conclusion about internal human resources, capabilities and competencies, it is important to note that the founders of the case companies did not have much international business experience before establishing their companies. However, the case companies have recruited experienced business people to help them to internationalize and to expand their companies. Furthermore, they have used external human resources, such as consultants, to complement the skills and knowledge of the founders as well as their employees and advertising companies to support their marketing capabilities. Even though the case companies have used external support in their marketing activities, most of the marketing is done internally as Almor and Hashai (2004) suggest, because it is a source of core competence. Actually, because of their financial resource scarcity the case companies have needed to find innovative ways to do marketing. Furthermore, interesting finding is that it might be that tight community of workers and competitive company culture would be a competitive edge against their competitors. By having company culture that is able to renew itself and that supports the company's business and strategic goals, would enable the company to be extremely competitive against competitors.

#### ***5.1.5 Technology Resources, Capabilities and Competencies***

In the table 4 the main details of the case companies R&D and products are illustrated. All the case companies have internal R&D of their products, as Almor and Hashai (2004) suggest, having from 10 to 20 persons working in product development or related areas. In contrast to Almor and Hashai (2004) findings, Valimo Wireless has outsourced some parts of their R&D process, but those parts are not related to their core products. Valimo Wireless has chosen to use external product developers for short-term



projects because of their flexibility. After the specific project, there is no need to keep that extra workforce inside the company. However, the major problem has been that the knowledge has left from the company when the external product developer's contract has ended.

	Small Planet	Valimo Wireless	Cidercone
Internal R&D	Yes (12 persons in R&D)	Yes, however some parts outsourced (10 persons in R&D)	Yes (20 persons in R&D)
Standardized or differentiated products and why?	-Standardized, but small customer adaptations  -Cost efficiency -Too expensive to develop differentiated products	-Standardized, but small customer adaptations  -Delivery of their products is much faster -Cost efficiency -Faster development of the products	-Standardized, but language localization  -Economies of scale -Localization, because end-users need the solutions in their local language
Possibility to use the core products in number of products	Yes	Yes	Yes
Need to be first in the markets?	-Not always, depends on the customers	-Not always, however it is beneficial	-No, it might be even dangerous

**Table 4: Product details**

The customer contacts and relationships are seen as a very important success factor in R&D for the continuity of the case companies' business. It is important for the case companies to nurture their contacts and relationships, because by having good customer contacts, the case companies are able to get good feedback about their products and how to develop them. These findings support Torkkeli et al.'s (1999) and Mascarenhas et al.'s (1998) studies where they suggested that external partners can suggest improvements and ideas for new product development. All the case companies are emphasizing that it is very important for their product development, that they know what their customers want and need their products to be and good relationships with the

customers help this process. This supports Knight's and Cavusgil's (2004) findings where they addressed that the unique products that serve buyers' needs support superior international performance. For example, in Cidercone the sales and marketing departments work a lot together trying to increase the knowledge and information what the customers need from their solutions, helping the R&D department to develop the right kind of products.

The financial resources have restricted the case companies' ability to develop their products as addressed in the research made by Almor and Hashai (2004). For example, they have not been able to hire as much people for R&D as they would have needed, slowing down their growth. However, for Small Planet, the financial resource scarcity has given them a quite humble situation, thus they have needed to concentrate what they are doing now and not what they could do several years in the future.

All the case companies have standardized products. This supports the findings of Alahuhta (1990, 39) and Gabrielsson and Gabrielsson (2003) that stated that it is not feasible to differentiate products to all customers and markets, but to offer standardized product with universal appeal to all markets. Also Kuivalainen (2001) noted that standardization in the software industry, where all the case companies operate, is important. However, all the companies are doing small adaptations or language localizations depending on the customers' requirements. By having standardized products the Born Globals are able to increase their cost efficiency, achieve economies of scale and they can develop and deliver their products much faster. Furthermore, the products are much easier to sell, because the case companies can use other customers that are already using the same products as references. However, for Small Planet a problem is that by having standardized products they are not able to fulfill all the customer requirements.

For the case companies it is not required to be first in the markets to be successful. However, for Small Planet and Valimo Wireless it has been beneficial to be first in the markets, but depending on the customers and market conditions it is not always necessary. This basically supports the research made by Luostarinen and Gabrielsson



(2004) where they state that it is very important to be first in the markets. Both companies Small Planet and Valimo Wireless have been the first and also a follower to their markets as well. When the both companies have been followers, there has been a competitor in the markets already that has not been, however, successful, giving them good market opportunities to replace the competitor. On the other hand for Cidercone, it might be even dangerous to be the pioneer in the markets, which could result in a business failure. Furthermore, Cidercone has never been the first in the markets with their solutions.

In most cases the timing of the product launches have been quite good for the case companies. The products launches have usually resulted in a good market position. In many cases there has been already good demand for the products before the launch. On the other hand, because Valimo Wireless has been very active in communicating with their customers, their customers have been able to influence on when their products have been launched.

All the case companies have been able to use their core products in a number of products. Basically, the initial products that were developed in the beginning of the companies' lives are still at least partly used in their current products. This has increased the case companies' cost efficiency in R&D. For example for Small Planet having a flexible core product gives them the possibility to focus on the core business and not use valuable time and resources for routine processes that do not create customer value.

The case companies, except Valimo Wireless, have not patented or protected their products. One of the reasons why they have chosen not to do that, have been that they have not seen it as a feasible solution. Because the markets are changing quite rapidly, Small Planet for example has decided not to hide behind patents, but to keep their products as interesting as possible. On the other hand for Valimo Wireless patents give credibility as well as they protect them from their competitors. However, it requires some financial resources as well as time from other activities to patent the technologies and products.



To summarize, all the case companies develop their core products internally. Actually, only one of the case companies does outsource some parts of the R&D process, but those are only related to supporting products and not their core products. For the product development, it is important to have close customer relationships, because the customers are an excellent feedback channel how the Born Globals should develop their products. Furthermore, all the case companies offer standardized products with small adaptations or localizations. Also they have been able to use their core products in other products increasing cost efficiency. Important finding is that even though it might be beneficial to be the first in the markets, is not necessary for the case companies.

#### ***5.1.6 External Networks and Relationships***

The previous contacts that did exist before the establishment of the case companies have been beneficial for them. However, for example in the case of Cidercone the previous contacts did not have a significant effect specifically on their internationalization process, but Valimo Wireless was able to get their first international customer because of the previous contacts. These findings support the research made by Andersson and Wictor (2003), where they concluded that existing contacts from the past career are important. Furthermore, Laanti et al. (2006) and Zahra et al. (2003) stated that networks offer more market information. This is the case in the case companies, the previous contacts and networks have given a lot of useful market information and the case companies have been able to contact the right persons, resulting in business opportunities.

The investors' networks as well as previous business knowledge have been very useful for Valimo Wireless. This supports the findings of Luostarinen and Gabrielsson (2006) and Gabrielsson et al. (2004). They addressed the importance of venture capitalists in contributing to the management skills and valuable knowledge that the founders have lacked, thus reinforcing the internationalization performance. Furthermore, Small Planet has used the help of Ministry of Trade and Industry as well as Finpro in Finland to get in touch with potential customers in international markets. However, most of the case

companies' current networks and contacts have been created after the establishment of their companies.

All the case companies have used external partners as sales or distribution channels. The main reason for this has been the lack of time, thus contacting all potential customers by themselves would require considerable amount of time and resources. Furthermore, the case companies' partners have had already established contacts with potential customers in most cases, easing the path to new markets for the case companies. For example for Small Planet, the usage of external partners and networks has been very beneficial. Actually, almost all the Small Planet's customers have come through different networks and partners. The networks and partners have opened many doors in international markets and intruded a lot of new customers for Small Planet. One challenge related to external partners that the case companies have faced during their internationalization process, has been that it has required quite a lot of resources and time to find good and reliable partners. These findings that the case companies have used networks and partners extensively support the research made by Luostarinen and Gabrielsson (2006). They noted that in the early stages of the internationalization process Born Globals use cooperative operation modes and they try to overcome their resource scarcity and smallness through networks with the help of other companies. By using external partners as a sales or distribution channels, the case companies have been able to contact more customers with fewer resources.

In conclusion, both the previous contacts and networks that were created before the case companies' establishment as well the contacts created during the companies' existence, have been greatly beneficial for their internationalization process. By being open to new partners and networks, Born Globals are able to overcome some parts of their resource scarcity. Furthermore, it seems that the previous knowledge of international business and business management of the investors is beneficial for the Born Globals' internationalization process.



### ***5.1.7 Companies' Competencies***

One of the most important success factors and core competencies for the case companies' internationalization process has been the knowledge of the customers and the markets. They have been able to gather excellent set of skills that helps them to get a profound understanding of the customers and the end-users of their products. This has created knowledge for the case companies of what the customers want and need, for their solutions now and in the future. Also it has been important to know when they need the new solutions, helping the case companies to schedule their product launches. This market knowledge and skills set is formed from different resources and capabilities. The most important ones are technological resources and capabilities and internal human resources and capabilities. By having good customer contacts, the marketing and sales departments are able to get important feedback about what the case companies' customers require from their products and when they need the improvements. Furthermore, marketing and sales departments need to be able to combine these requirements and communicate the needs effectively and correctly to the R&D department that will actually develop the products. The case companies have been able to do that, thus they have been able to use the feedback efficiently and develop innovative and usable products that their customers need.

Even though, it seems that it is not important for the founders of the Born Globals to be experienced in international business, however there should be experienced business people working in the management or in the sales department. Thus those people that are actually involved with the international expansion should have international business experience. Furthermore, tight community of workers and competitive company cultures can increase the competitiveness of the company. If the company culture is in line with strategic goals, it might give a competitive edge against competitors.

Not always the knowledge and skills required to perform some specific activities are found inside the company. The case companies have used external human resources, such as consultants, advertising companies or external product developers to overcome



these lacks and support their own internal human resources and capabilities. By using external human resources, the case companies have been able to get extra resources that give them new knowledge and ideas to do business. It has also helped them to use their own time as efficiently as possible and not wasting it for non-productive tasks.

For the case companies it has been very important to keep their R&D within company, because R&D of products is a source of competitive advantage and core competence. By developing standardized products, but having the possibility to adapt or localize the products depending on the customers' needs, have given them some important benefits, one of them being cost efficiency. Also, it has been very important that they have been able to use their core products in a number of products. The case companies have not needed to develop their new products from scratch, but they have been able to use their initial products as a platform on which their existing products have been built. Furthermore, it has been very important for their products' development that the case companies have had good customer contacts through their sales and marketing departments. By having good feedback mechanisms, the case companies have been able to develop products that their customers want and need and keep their products innovative and interesting.

Important success factor for the case companies has been the usage of external networks and partners in their internationalization process as sales or distribution channel, for instance. Because of the resources scarcity of the Born Globals, they have not had enough time and resources to contact their customers as much as they would have wanted. By using external networks and partners, the case companies have been able to overcome parts of their resource scarcity. The external networks and partners have given a lot of market information and have opened many doors and they been able to introduce new potential customers for the case companies giving them lucrative business opportunities.

As stated by Barney (1991) financial resources as such are not a source of a competitive advantage and a core competence, because they are not rare, imitable or tradeable. Still for the case companies financial resources have been very important in supporting their

internationalization process and their other resources and capabilities. By having external investors, some of the case companies have been able to put more emphasis on R&D of products and marketing and they have been able to grow faster than relying solely on organic growth. Furthermore, it seems to be beneficial for the Born Globals to be able to manage their financial resources well. By being able to allocate the financial resources to the most important tasks, and not using them to non productive activities, Born Globals are able to use their scarce financial resources efficiently.

## **5.2 Revised Theoretical Framework**

After completing the cross-case analysis and synthesis, it is now time to combine the findings and form a revised theoretical framework. The Figure 4 presents the revised theoretical framework. In the revised theoretical framework the changes from the proposed theoretical framework (Figure 3) are bolded. Furthermore, if the specific capability or competence in the framework has been important only for some of the case companies, the case company in question has been put after the capability or competence in parenthesis.

As noted in the chapter of the proposed theoretical framework (Chapter 2.4) the resources are invisible in the framework as such, but the capabilities and competencies that are created from the resources are illustrated. The capabilities and competencies are complex networks of different resources, thus illustrating all the important resources in the framework would create too complex model.

The most important resources, capabilities and competencies that enable the successful internationalization of the knowledge-intensive Born Globals are human, technology and financial resources, capabilities and competencies. These are supported by external human resources and external networks and relationships that help the Born Globals to overcome certain problems with their resource scarcities.



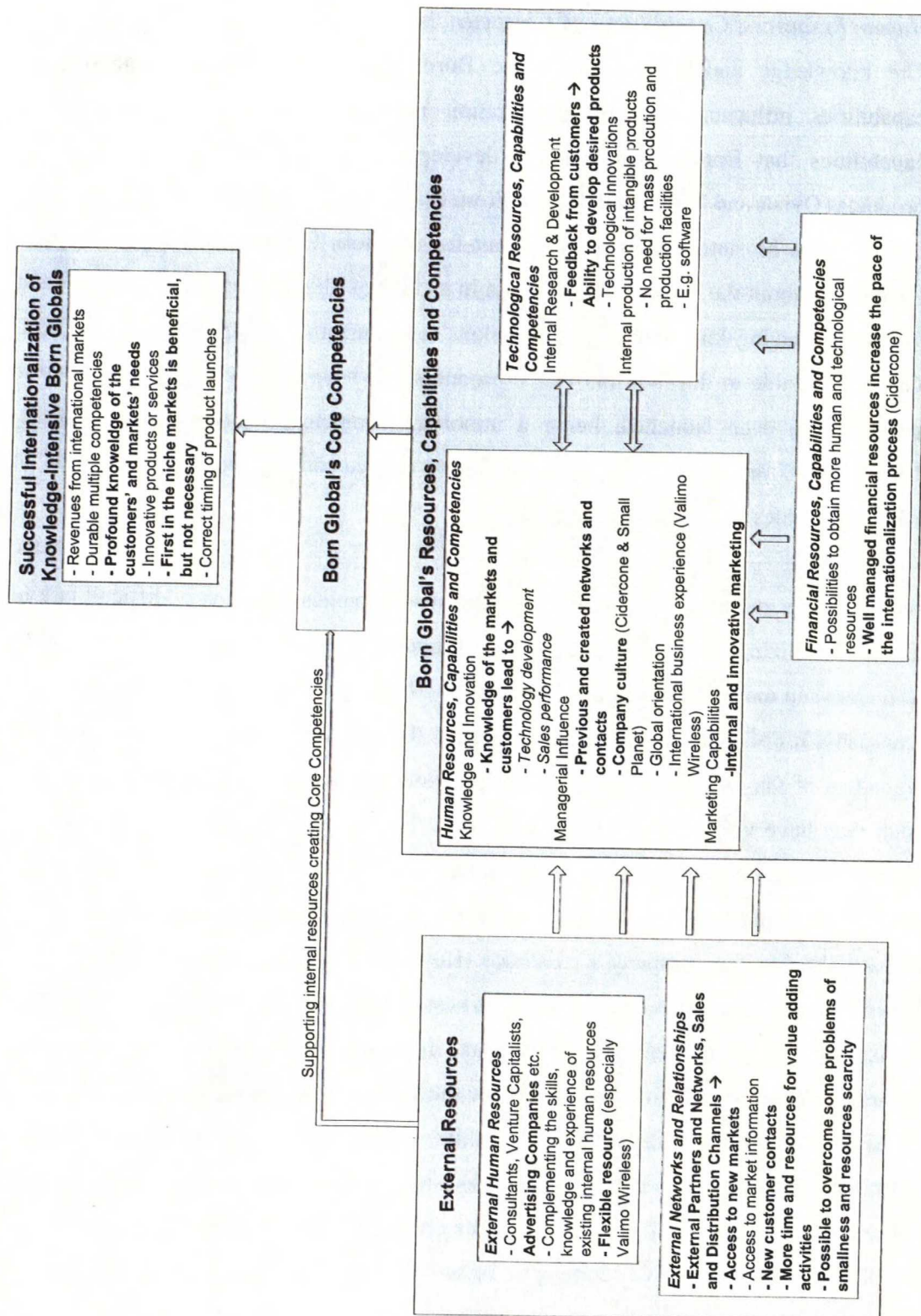


Figure 4: Revised Theoretical Framework: The resources and competencies enabling successful internationalization of knowledge-intensive Born Global



### *Human Resources, Capabilities and Competencies*

The knowledge and innovation of the Born Globals are important factors and capabilities influencing their internalization process. They seem to be the key capabilities that Born Globals use to develop and create unique and competitive products (Oviatt and McDougall 1994). From the findings of the empirical study of this thesis, it can be stated that it is important for the Born Globals that they have good knowledge about the markets they operate in as well as about the customers' needs and wants. By having knowledge of the markets' and customers' requirements, the Born Globals are able to develop innovative products that have already demand, before the products are even launched, being a important competence for the Born Globals. Furthermore, unique and competitive products that customers need and want lead to increase in sales and sales performance.

The founders and managers of the Born Global –companies have a very difficult task of internationalizing a small company with limited resources. It is important that the founders and managers have global orientation, thus they have a desire to globalize their company. It does not seem to be important for the success of the Born Globals that the founders of the companies have a lot of previous international business experience or that they have vast existing contact networks. The founders' contact networks created before the establishment of the Born Globals seem to be very important only at the beginning of the company's life. This is because most of the contact networks are created during the company's existence. However, in the management of the Born Globals there should be experienced business professionals that are able to use their existing networks and contacts and expand the company successfully to international markets. Thus it seems to be beneficial for the Born Globals that they have experienced business professionals in charge of their international operations. Also the company culture needs to be in line with strategic decision as well as it needs to support what the company wants to actually achieve from its operations. Tight community of workers as well as the competitive company culture can enhance the internationalization performance of a company and can become an important competence for the Born Globals.

The marketing activities should be done inside the company. Even though some external support can be used for specific projects, it seems to be important that the companies themselves are controlling their marketing activities. Because Born Globals lack financial resources, thus they are not able to do big marketing campaigns, the marketing departments in Born Globals need to be innovative and find constantly new ways to do efficient and cost effective marketing.

#### *Technological Resources, Capabilities and Competencies*

With the technological capabilities and competencies Born Globals are able to develop innovative and unique products that fulfill their customers' needs. The development of the Born Globals' core products need to be done internally. Because R&D is one of the most important sources of competitive advantage and core competence for Born Globals, it is necessary that no parts of the core products' development processes are outsourced. However, it might be possible to outsource some parts of the product development if those parts are related only on supporting products, but not on the core products, keeping the technological resources durable and inimitable (Almor and Hashai 2004). It is also important that the R&D department is able to get feedback from the customers what the customers are requiring from their products. It is extremely necessary that the communication mechanisms work well inside the company between R&D- and sales and marketing departments. This is because usually the sales and marketing departments are mostly in contact with the customers, being the entity getting the feedback about the customers' wishes.

#### *Financial Resources, Capabilities and Competencies*

Even though the financial resources are not a source of competitive advantage for Born Globals or other companies similarly (1991), they are still valuable supporting resource for the Born Globals' internationalization process. With the help of external finance from venture capitalist, for instance, Born Globals are able to internationalize much faster than relying solely on organic growth. By having external finance, Born Globals are able to market their products more efficiently and they are able to hire extra personnel for R&D, for instance. However, the problem is that the objectives between the venture capitalists and the company's own objectives might differ. Thus company



might have long-term goals and the investors are aiming for short-term profits. (Luostarinen and Gabrielsson 2006) Although, this does not mean that it would be absolutely necessary to have external finance in the company. External finance does increase the speed of the internationalization process significantly.

#### *External Resources*

By using external resources, Born Globals can overcome some parts of their resource scarcity such as their smallness. However, the external resources cannot be a source of competitive advantage, because they are not imperfectly imitable (Barney 1991). They are however supporting the internal resources such as human as well as technology resources that are sources of competitive advantage. The lack of time is one of main problems that the Born Globals face in their internationalization process. They do not have enough time to do everything by themselves and also not all the necessary skills are found inside the company. With external resources Born Globals are able to fill the gap between existing and needed resources and capabilities.

By using external human resources, such as the services of consultants or advertising companies, they are able to get complementary knowledge and skills that they would otherwise lack. Born Globals are able to get new innovative ideas and ways to do business and market their products. Also the knowledge of venture capitalists, in the areas of international business and business management seem to be important for young Born Global –companies. For Born Globals the usage of external human resources increases, for example, their flexibility, because they can control and use the resources without owning them. For example, after a specific short-term project they do not need to keep the external human resources in the company.

It seems to be extremely important for the success of the internationalization of the Born Globals that they have external partners and they belong to external networks. By using external partners and networks as sales or distribution channels, Born Globals are able to get access to new markets and new customer contacts. Furthermore, because contacting all the possible customers, would require a lot of Born Globals' valuable time, by using external partners that already have established contacts with potential



customers, frees time for other value adding activities. This basically means that by using external networks and partners as a sales or distribution channels, the Born Globals can overcome some problems with their smallness, thus for example they have a bigger customer base potential than they would have without the help of external partners.

#### *Relationships between the Different Resources*

In the framework, the relationships of different resources and competencies are illustrated. As addressed earlier, the financial resources support the human and technological resources and capabilities, thus with financial resources Born Globals are able to hire more personnel for R&D and make more effective marketing for instance. With having extra financial resources Born Globals are able to hire external resources to complement the skills, knowledge and experience of their internal human resources. The external resources support the internal human resources as well as technology resources that are the sources of competitive advantages and core competencies for the Born Globals. Having good knowledge about the markets and customers and a skills set to transfer this knowledge to technological innovations and unique products is a key success factor for the successful internationalization of the Born Globals.

Some of the competencies that are formed from the internal human resources and technology resources can be identified as core competencies. These core competencies create a sustainable competitive advantage and enable the successful internationalization of the knowledge-intensive Born Globals. From the basis of the literature review and the empirical part of this Thesis, it can be stated that the most important core competence for the Born Globals is the knowledge and profound understanding of the markets and their customers. Furthermore, it is crucial how they transfer this knowledge through internal communication to product development and create innovative and unique products that their customers want and need. Also by having good feedback mechanisms the Born Globals are able to schedule their product launches well, resulting in good market opportunities.

From the basis of this study and the revised theoretical framework, the most important part of the theoretical framework for all of the case companies' successful internationalization process has been the knowledge and innovation and especially the knowledge and information of the markets' needs and wants. With the help of their technology resources and capabilities, the case companies have been able to use their market knowledge for creating innovative and unique products with excellent demand.

## **6. CONCLUSIONS**

In this chapter, first the theoretical background and the findings from the empirical part of this study will be summarized. Second, the contribution to existing business literature and the managerial implications of the findings will be discussed. Finally, possible areas for further research will be suggested.

### **6.1 Summary**

The purpose of this Master's Thesis was to increase the knowledge of the internationalization process of Born Globals. Especially this Thesis concentrated on the key resources and competencies that enable the internationalization process of knowledge-intensive ICT Born Globals. During the last decade, Born Globals have been a focus in many recent studies. Born Globals have internationalized their operations differently than the traditional internationalization theories suggest, by leapfrogging stages or not internationalizing gradually as the internationalization theories suggest. Furthermore, Born Globals start to internationalize even ten times sooner than traditionally internationalizing companies.

For most companies internationalization is a difficult process. For Born Globals being small or medium-sized companies the internationalization process is even more difficult, because they lack necessary resources and skills that larger companies possess. The lack of important resources might lead also to the lack of competencies as well, giving them an unfavorable competitive position in the global markets as well as against other companies.

This Master's Thesis tried to find answers to what are the resources and core competencies that enable and lead to the rapid internationalization of the knowledge-intensive Born Globals from the ICT-industry. Furthermore, this Thesis tried to identify what are the benefits and challenges that arise from the resources and core competencies that Born Globals require when internationalizing rapidly. The research questions were formed as follows:



1. What are the most important resources and core competencies that enable the rapid internationalization process of knowledge-intensive Born Globals?
2. What benefits and challenges arise from the resources and core competencies that Born Globals need in their internationalization process?

In the literature review, first the previous research of Born Globals was addressed. Second, the characteristics of the knowledge-intensive sector and ICT-industry were identified. Then the traditional internationalization theories such as the Uppsala model and Stages model were explained briefly in more detail with the characteristics of Born Globals. Furthermore, the traditional internationalization theories were compared to how the Born Globals were expanding to international markets. Finally, the resources and competencies enabling the internationalization of Born Globals were discussed, focusing on the financial, technological and both internal and external human resources, capabilities and competencies and on external networks and relationships.

From the literature review, a theoretical framework was derived to guide the empirical part of this Master's Thesis, in which a qualitative study of three Born Globals was completed. The qualitative study was made by doing interviews with the founders and managers of the case companies. From the interviews a cross-case analysis and synthesis were made where the findings from the interviews and from the literature were combined and contrasted. In the following, synopsis of the findings and results of the study are presented and the answers for the research question are illustrated.

All the case companies were Born Globals and small- or medium sized companies operating in niche business-to-business markets. They all offer standardized software products with small adaptations or localization depending on their customers' needs. The case companies started to internationalize within three to four years after the establishment of the company. The initial reason for all the case companies to start to internationalize was the size of the local Finnish markets, thus there were not enough viable customers for them. The case companies are, according to Luostarinen's and Gabrielsson's (2006) definitions Development stage- or Starting stage Born Globals depending on the case company. About 30-80% of their sales come from international

markets, but only a small portion from markets outside Europe. However, all the case companies have a global vision, thus they are all aiming to globalize their activities and increase their involvement in markets outside their home continent.

The main challenge in operating in niche B2B-market for the case companies have been the amounts of possible customers. By operating in a niche B2B-market there are not much of viable customers in each market, which means that the Born Globals need to be able to operate in multiple markets simultaneously. This of course requires more time and more resources. However, there is a benefit in operating in this kind of markets. For the case companies there are not much of viable competition, thus there is room as well as demand for the case companies' solutions.

#### *Financial Resources and Core Competencies*

Based on the findings from the literature review and the empirical study, it can be stated that the Born Globals lack important resources, which makes their internationalization process more difficult. One of the most important challenges for them is the lack of financial resources. The case companies have relied mainly on organic growth as their source of financial resources. Organic growth has been slow and they have not been able to exploit all the possible opportunities.

Furthermore, one other important challenge with the lack of financial resources is that it affects basically to all the other resources as well. Without having enough financial resources, Born Globals are not able to hire competent people to product development or to marketing and sales departments. They are not able to develop their products as fast as they would need, possibly losing business opportunities. Furthermore, not having enough human resources in sales and marketing they might not be able to contact enough potential customers, slowing down their growth.

However, external investors can help to overcome some problems with the financial resource scarcity. With the help of investors the case companies have been able to develop and market their products more efficiently, travel and contact more international customers as well as get new important market information and hire



competent professionals. The main benefits have been that the case companies have been able to put more resources on the development of their core products. Basically, the external financial resources have increased the pace significantly of the internationalization process of the case companies compared to relying solely on organic growth.

As such, financial resources are not sources of competitive advantage and a core competence, because they are not imperfectly imitable (Barney 1991). However, the management of financial resources might be a source of competitive advantage and core competence for the Born Globals. By managing the allocation of the financial resources extremely well, no financial resources are wasted for non-productive activities and the Born Globals might overcome some of their problems with financial resource scarcity.

#### *Human Resources and Core Competencies*

It is important to note that the previous experience or the contact networks of the founders of the Born Globals does not seem to have a great effect for the internationalization performance. The case companies' founders did not have vast amounts of previous international business experience nor extensive contact networks. However, it seems to be beneficial if the managers that are actively involved with the international expansion have international business experience and good contact networks. These help the Born Globals to internationalize rapidly and more efficiently.

The external networks and relationships of the case companies' managers have been beneficial. The Born Globals have been able to get valuable market information as well they have been able to contact the right persons resulting in business opportunities. Furthermore, the investors' networks as well as business knowledge of international business and business management seems to be important for the internationalization performance of the Born Globals. All the case companies have used external networks and partners as sales or distribution channels. The main reason for this has been the lack of time. The case companies have not had enough time to contact all the potential customers by themselves. By using external partners and networks that have had already established contacts to potential customers, the case companies have been able to get



new business opportunities with fewer resources. They have been able to get access to new markets, market information and to get new customers. However, the challenge has been that finding reliable and good partners have taken considerable amount of time and resources from other activities.

One of the key success factors for the case companies' internationalization process as well as probably the most important core competence has been the knowledge and information of the markets' and customers' needs and wants. They have been able to gather excellent skills set and profound understanding what are their customers requirements from their products. It is important that the sales and marketing departments are able to keep their company's customer relationships in good shape. By having good customer contacts, Born Globals are able to get good customer feedback crucial for their R&D -department so that they can develop products that their existing as well as new customers would need and want and when they need them. This helps the companies to schedule their product launches. The sales potential is of course increased because the Born Globals are developing products that have some demand already, before the products are even launched. Thus this core competence is formed and combined from technological resources and the R&D-departments ability to develop innovative and unique products from the basis of what the customers want and need. These requirements are communicated through internal communication mechanisms in the company from the marketing and sales department that are in contact with the customers to the R&D-department.

The case companies have had significant emphasis to find and recruit competent personnel. However, one of the challenges has been that the financial resources have restricted the case companies' abilities to hire new personnel. Also the availability of experienced IT-professionals and business people in the Finnish markets has been a problem for the case companies. Furthermore, by creating a tight community of workers as well as competitive company culture, not only through predetermined rules, but by evolving itself, can create a competitive advantage for Born Globals. Having company culture that supports the Born Globals' strategic decisions might increase the company's internationalization performance.

The case companies are doing most of the marketing activities inside the company. This is important, because the internal marketing can be considered as a core competence for the Born Globals. Because of the lack of financial resources, they have not been able to do large scale marketing campaigns, for instance. They have needed to find new, innovative and cost effective ways to market their products. The case companies have needed to contact their customers directly and use PR, such as magazine articles as marketing tools. The challenge however, in using PR as a marketing tool is that it is a slow marketing channel. Furthermore, the references from previous customers have been greatly beneficial for some of the case companies. The references have been an effective marketing tool that has generated new business opportunities. Also the case companies have used external service providers, such as advertising companies to support their internal marketing capabilities, giving them new ideas to market their products.

However, not always the case companies have had necessary skills and knowledge to expand their businesses to international markets. They have tried to overcome this lack by hiring external human resources to complement the internal skills. By using external consultant the case companies have been able to get new ideas and ways to do business as well as training for their employees. Even though external resources are not a source of a competitive advantage and core competence for Born Globals, because other companies as well can hire the same external human resources, they still support the internal human resources as well as technology resources. These resources are the sources of competitive advantage and they are extremely important for the success of the internationalization of the Born Globals. The biggest benefit for the case companies in using external human resources has been flexibility. They have been able to benefit from the external resources and use their skills and knowledge without owning them. Thus, after a specific project there has been no need to keep the external resources inside the company. However, the challenge has been that as in services in overall there is no guarantee of the quality of the service before the service is consumed. Also, it has been possible that the knowledge has not stayed inside the company after the external consultant, for instance, has left the company.



### *Technology Resources and Core Competencies*

In all the case companies the development of the core products is done internally. This is important, because product development is a source of competitive advantage and core competence. Only one of the case companies have outsourced parts of their product development, but only some of those parts that are related to supporting products and not the core products. The benefit for externalizing some parts of the development process has been flexibility. For short-term projects it has been a good solution to hire external workforce. However, the challenge has been that after the project, the knowledge has left from the company with the external help.

All the case companies offer standardized products with small adaptations or localizations depending on their customers' needs and wishes. This has been a core competence for the case companies. By being able to efficiently and cost effectively develop and deliver customer adapted products the case companies have been extremely successful. Furthermore, the benefits of the decision to have standardized products have been economies of scale and cost efficiency, because it would have been too expensive to develop differentiated products as well as faster development of the products, because they have been able to use the core products as a platform on which the new products have been developed. However, a challenge for some case companies has been that they have not been able to do everything that their customers would have wanted. Furthermore, the financial resources have restricted the product development possibilities of the Born Globals. They have not had enough resources to hire new personnel for R&D, which has slowed down the development of the products.

Important finding from the case studies is that it is not necessary always to be first in the markets. However, in many cases it is beneficial. This depends on the market conditions as well as the customers. When the case companies have been followers, there has been first a competitor in the markets, but it has not been successful enabling the case companies to replace the competitor. Furthermore, the timing of the product launches is a crucial success factor for the case companies. As stated earlier good customer contacts help the Born Globals to launch their products when their customers need them. Also the good customer contacts give excellent information about what kind of products the



customers want and need. The case companies have used their customer feedbacks efficiently, developing innovative and unique products.

In conclusion, the most important core competencies for the case companies that have enabled their successful internationalization process have been their ability to create good customer relationships. The customer feedback that the case companies have received from their customers has been efficiently used in their R&D -departments. Thus, they have been able to develop innovative and unique products that their current as well as new customers want and need and when they need them. This core competence is actually formed and combined from different durable competencies. It is formed from the human competencies such as the ability to create and sustain good customer contacts as well as technology competencies such as the ability to create innovative products. Also the ability to standardize products, but being able to adapt or localize them efficiently has been a key success factor and a core competence for the case companies. By having standardized products, the case companies have been able to use their core product in a number of products easing their product development processes and enabling them to internationalize successfully.

### **6.1 Contribution of the Study**

The main contribution of this study is to find what are the most important resources and core competencies enabling successful internationalization of Born Globals. The findings from the study were compared to existing business literature and the most important findings of these are described in the list below.

- The main contribution of this study is that for Born Globals the most important core competence seems to be that the customer relationships are well managed. Even though technology capabilities and competencies are important, the business competence of managing the customer relationships and market knowledge and information well seems to be the most significant single competence for the Born Globals and their internationalization process. Thus technology capabilities and competencies are only supporting this core competence. By having good customer contacts, Born Globals are, for example,

able to get important feedback from their customers how they could improve their products or what kind of innovations should be added. This feedback needs to be well communicated from the marketing and sales departments, which are in contact with customers, to the R&D department that they can develop innovative and unique products that they customers require. This supports Knight's and Cavusgil's (2004) findings where they addressed that knowledge that nurtures unique products development also allows Born Globals to serve specific markets well as well as the unique products that serve buyers' needs support superior international performance.

- From the findings of this study it can be noted that is important for Born Globals that their products are standardized, supporting Alahuhta's (1990, 39) and Gabrielsson's and Gabrielsson's (2003) studies. Furthermore, by being able to develop standardized products that are easily and efficiently adapted or localized to customers needs gives the Born Globals the benefits of standardized products, such as cost efficiency and still they are able to serve the niche B2B markets.
- It seems that the most important reason for Born Globals to start their internationalization process is the smallness of the local markets. In each of the niche B2B markets where the Born Globals operate, there are not much of profitable customers. In order to expand their companies, Born Globals need to find customers from many different markets simultaneously. Furthermore, the finding that there are not much of viable competition in the markets where Born Globals operate supports Luostarinen's and Gabrielsson's (2006) study. This finding means that even though there are not much of potential customers, the lack of competition gives the Born Globals a possibility to be successful, if they are able to offer innovative and unique products for their customers.
- From the empirical part of this Thesis, it can be stated that the financial resources restrict Born Globals' abilities to internationalize their operations. This finding supports Lee et al.'s (2001) research. Furthermore, the lack of financial resources has been one of the biggest challenges for the Born Globals as well. The lack of financial resources affects to all the other resources as well. By not having enough financial resources, Born Globals are not able to hire competent



people for R&D, sales or marketing slowing down their internationalization process significantly. However, by using external sources of finance, some problems with the lack of financial resources can be overcome. By having external finance, Born Globals are able to hire more people and put more emphasis on sales and marketing resulting in more customer contacts and increased sales and internationalization performance. This supports Gabrielsson et al.'s (2004) research, where they addressed that superior financial resources increase the speed of internationalization of Born Globals.

- The findings from the empirical part of this study support Luostarinen's and Gabrielsson's (2006) findings that the founders of Born Globals are usually inexperienced in international business and business management. However, the managers of Born Globals seem to have quite a lot of international business experience, supporting the findings of Andersson and Wictor (2003) and Laanti et al. (2006).
- Important finding from the case studies is that, in contrast to Luostarinen's and Gabrielsson's (2004) study it is not always necessary for the Born Globals to be the first in the market. Many times it is beneficial, but being able to learn from the market pioneer's experiences and mistakes, Born Globals are able to be more efficient than the pioneer, giving them a possibility to replace the competitor in the markets.

## **6.2 Managerial Implications**

From the results of this study, the following managerial implications can be suggested to those that manage rapidly growing business and want to internationalize their company successfully:

- It is important for the successful internationalization of the Born Globals and especially for the continuity of the business that the Born Globals have good and close customer relationships. The Born Globals are able to get good feedback and information about their customers' needs and wishes. This feedback can be utilized in the product development enabling the Born Globals to create products that are innovative and have already demand before they are even launched. The



timing of the product launches is crucial for the success of the Born Globals. By having close customers relationships, Born Globals are able to get feedback of when their customers need new products, helping them to time their product launches.

- Because Born Globals lack necessary resources, it is important that they are able to efficiently use external networks and partners and their resources. The external partners have in most cases already established contacts to potential customers, thus Born Globals can have more contacts through their partners with fewer resources than without the help of the external partners and networks. This results in much faster internationalization process.
- It is important to have experienced and competent business people responsible or at least involved in the international expansion. The previous experience as well as previous contacts helps the internationalization process, making it much faster.

### **6.3 Suggestions for Future Research**

Even though there have been many studies during the past decade about Born Globals and their internationalization process, the resources and competencies of rapidly growing and internationalizing companies have not been studied much. In the following some possible topics for further study are presented.

- Interesting area that needs to be studied more to be able get a profound understanding of its effects to the internationalization of the Born Globals is the importance of the knowledge of the customers and the markets. From the basis of this study, the good customer contacts as well as the knowledge of the markets and customers seems to be extremely important core competence for the success of the internationalization process. It would be interesting to research what knowledge of the markets and customers Born Globals need and also how the Born Globals utilize the market and customer knowledge in their internationalization process.
- It seems that the company culture and its effects for the internationalization of Born Globals have not been studied much. The tight community of workers as

well as competitive company culture can enhance the performance of the Born Global –company, increasing the speed of its internationalization process. It would be interesting to study what kind of company culture is beneficial for the Born Globals and what are the actual effects of the company culture to the internationalization process of the Born Globals.

- This study as well as previous studies (see e.g. Lee et al. 2001) clearly indicates that young companies, like Born Globals lack necessary resources and especially financial resources that slows down their internationalization process. Furthermore, the allocation of scarce financial resources to different activities is a difficult process for the management. It would be interesting to study how the management of the financial resources affects the internationalization process of the Born Globals. Thus, what are or are there any clear benefits when the management and allocation of financial resources are done extremely well?

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## ***Appendices***

### *Appendix 1: Details of the interviews*

Small Planet Ltd. – Founder and CEO Rami Korhonen

- Time: 21<sup>st</sup> March 2.00pm
- Location: Small Planet Ltd. Ruoholahdenkatu 8, 00180 Helsinki
- Duration: 50 minutes

Valimo Wireless Ltd. – Founder and COO Jarkko Elonen

- Time: 2<sup>nd</sup> May 4.00pm
- Location: Valimo Wireless Ltd. Paciuksenkatu 21, 00270 Helsinki
- Duration: 40 minutes

Cidercone Ltd. – Founder and CEO Tuomas Kohila

- Time: 26<sup>th</sup> April 4.00pm
- Location: Cidercone Ltd. Paciuksenkatu 21, 00270 Helsinki
- Duration: 45 minutes

*Appendix 2: Example of the cover letter that was sent to interviewees after initial phone call*

Hei,

Soitin teille aikaisemmin ja pyysin mahdollisuutta päästä haastattelemaan teitä lopputyöhöni liittyen.

Olen siis Helsingin kauppakorkeakoulun maisteritason opiskelija kansainvälisen liiketoiminnan laitoksella ja teen päättötyötäni ICT-alan pk-yrityksien kansainvälistymisestä ja erityisesti siitä, mitkä ovat olleet yrityksen tärkeimmät resurssit ja kompetenssit, jotka ovat mahdollistaneet nopean kansainvälistymisen. (Työni tämän hetkinen tarkka otsikko on ”The Resources and Core Competencies Enabling Rapid Internationalization of Knowledge-Intensive Born Globals”)

Haastatteluun kesto on noin 1-1,5 tuntia ja haastattelussa käydään läpi mm. seuraavia aihepiirejä:

- Yrityksen kansainvälistymisen historia ja syitä jotka ovat vaikuttaneet nopeaan kansainvälistymiseen
- Yrityksen tärkeimmät resurssit ja kompetenssit joita hyödynnetty kansainvälistymisprosessissa
  - Taloudelliset resurssit
  - Henkilöstö resurssit
  - Teknologia resurssit

Jos haluatte lisätietoja lopputyöstäni tai haastattelusta, annan niitä mielelläni.

Ystävällisin terveisin,

Markus Hotakainen

[markus.hotakainen@student.hse.fi](mailto:markus.hotakainen@student.hse.fi)

Puh: 0505216040



*Appendix 3: Example of the cover letter that was sent to interviewees after initial phone call (English translation)*

Hi,

I called you earlier about the possibility to interview you for my Master's Thesis.

I am a Master's level business school student from Helsinki School of Economics. I am studying in the faculty of International Business and I am writing my Master's thesis about the internationalization of SMEs from the ICT-industry and especially what have been the most important resources and competencies that have enabled the rapid internationalization process. (The specific title of my thesis is currently "The Resources and Core Competencies Enabling Rapid Internationalization of Knowledge-Intensive Born Globals")

The interview will approximately take from 1 to 1.5 hours and the following topics will be covered among others:

- Company's international expansion history and factors that have influenced to the rapid internationalization process
- Company's most important resources and competencies that have used in the internationalization process
  - Financial resources
  - Human resources
  - Technological resources

If you want more information about my Master's Thesis or the interview, please do not hesitate to contact.

Best Regards,

Markus Hotakainen

#### *Appendix 4: General Interview Questions*

##### **1. Haastattelun tiedot**

- a. Päivämäärä
- b. Haastateltavan nimi ja asema yrityksessä
- c. Puhelinnumero
- d. Sähköpostiosoite

##### **2. Yrityksen tiedot**

- a. Voisitteko lyhyesti kuvailla yritystänne?
  - i. Yrityksen nimi
  - ii. Perustamisvuosi
  - iii. Toimiala
  - iv. Työntekijöiden määrä
  - v. Tuotteet

##### **3. Kansainvälinen kasvu ja laajentuminen**

###### *Yrityksen kansainvälistymisen historia*

- a. Minä vuonna ja millä tavalla aloititte yrityksenne kansainvälistymisen?
  - i. Missä olivat yrityksenne ensimmäiset kansainväliset markkinat?
  - ii. Miksi valitsitte kyseiset markkinat?
- b. Mikä on ollut kansainvälistymisenne muoto kansainvälisille / globaaleille markkinoille ”ensimmäisen kansainvälistymisvaiheen” jälkeen?
  - i. Milloin toinen vaihe alkoi? (Jos toista vaihetta on olemassa)
  - ii. Jos muutosta ensimmäiseen vaiheeseen: Minkä takia vaihdoitte strategiaanne?
- c. Miksi yrityksenne kansainvälistyi ja kansainvälistyy?
- d. Ovatko Suomen pienet markkinat vaikuttaneet päätökseenne kansainvälistyä?
  - i. Ovatko esimerkiksi yrityksenne tuotekehityskustannukset liian suuret verrattuna Suomen markkinoiden myyntipotentiaaliin?
- e. Kun perustitte yrityksenne, olivatko kansainväliset markkinat heti alusta alkaen päätavoitteena?
  - i. Miten tämä otettiin huomioon tuotekehityksessä, jos se otettiin ollenkaan?
  - ii. Tai muissa yrityksen operaatioissa?
- f. Ovatko teknologiatuotteiden lyhentyneet elinkaaret vaikuttaneet syihinne kansainvälistyä nopeasti?
- g. Onko markkinoiden yleinen globalisaatio (markkinoiden yhdentyminen) vaikuttanut kansainvälistymiseen?
- h. Onko ATK:n ja matkapuhelimien lisääntynyt käyttö ympäri maailmaa vaikuttanut kansainvälistymiseen? Kuinka?
- i. Onko joitain muita syitä jotka ovat erityisesti vaikuttaneet päätökseenne kansainvälistyä?

- j. Tällä hetkellä kuinka suuri osa liikevaihdostanne tulee kansainvälisiltä markkinoilta?
- k. Kuinka monessa maassa operoitte (on asiakkaita) tällä hetkellä?
  - i. Mitkä ovat kyseiset maat ja milloin menitte kyseisille markkinoille? (Vuodet)
  - ii. Onko teillä tavoite laajentua selkeästi Euroopan markkinoiden ulkopuolelle?
- l. Onko yrityksellänne erityisiä syitä miksi olette valinneet juuri kyseiset maat markkinoiksenne? Esimerkiksi ovatko seuraavat asiat vaikuttaneet:
  - i. Markkinoiden koko, asiakasmäärät
  - ii. Markkinoiden läheisyys
  - iii. Saadut tiedot markkinoista
  - iv. Muita syitä
- m. Oletteko pystyneet hyödyntämään kansainvälistymisenne aikana, esim. markkinatietoja joita olette saaneet niiltä markkinoilta joilla jo olette?
- n. Mikä on teidän tärkein markkinanne tällä hetkellä ja miksi?
  - i. Mikä tulevaisuudessa?
  - ii. Ovatko markkinat muuttumassa? Miten?
  - iii. Miten se vaikuttaa teidän liiketoimintaan?
- o. Onko alallanne tiettyä markkinaa, joka on ”innovaatiokeskus” eli jossa suurin osa alan innovaatioista syntyy ja missä alan tärkeimmät asiakkaat ja kilpailijat ovat?
- p. Ketkä ovat teidän kilpailijoitanne? Ovatko nekin pk-yrityksiä vai onko teillä myös suuria yrityksiä kilpailijoina?
- q. Onko mielestänne yrityksenne kansainvälistymisprosessien nopeus ollut suunnitellun mukaista?
  - i. Miksi/ Miksi ei?
- r. Mitkä ovat olleet kansainvälistymisen hyödyt, haitat ja haasteet yrityksellenne? Miten olette selvinneet kyseisistä haasteista?
- s. Kuinka hyvin mielestänne teidän yrityksellänne menee tällä hetkellä, niin yleisesti kuin kansainvälisillä markkinoilla?
- t. Mielestänne saatteko tarpeeksi tuloja ulkomailta suhteessa kotimaahan?
- u. Onko yrityksenne tällä hetkellä kannattava?
  - i. Olisiko se mahdollista ilman ulkomaisia asiakkaita?
- v. Minkälainen on teidän kansainvälistymisstrategianne tulevaisuudessa? Mille markkinoille aiotte tähdätä? Mitkä ovat yrityksenne tulevaisuuden tavoitteet?

*Tuotteista ja tuotestrategiasta:*

- a. Ovatko teidän tuotteenne standardoituja vai myyttekö adaptoituja tuotteita asiakkailleenne?
  - i. Miksi?
  - ii. Mitä haasteita olette kohdanneet ja mitä hyötyjä olette saaneet valinnastanne?
- b. Oletteko suunnitelleet tuotteenne joillekin tietyille markkinoille?
- c. Voitteko sanoa että toimitte ns. markkinaraossa?



- iii. Miksi/Miksi ette?
- iv. Mitä hyötyjä ja haittoja olette kohdanneet, kun olette/ette ole toimineet markkinaraoissa?
- d. Onko alallanne ja yrityksellenne tärkeää olla ensimmäisenä ns. "pioneerina" markkinoilla?
  - v. Miksi/ Miksi ei?
- e. Oletteko olleet ensimmäisenä markkinoilla nykyisillä tai aikaisemmilla tuotteillanne?
- f. Kun lanseerasitte ensimmäiset tuotteenne oliko silloin teillä suoria kilpailijoita?
- g. Oliko alkuperäinen tuotteenne jo "valmiina" ennen kuin yritys oli perustettu?
- h. Ovatko tuotteidenne lanseeraus ajankohdat olleet mielestänne optimaalisia?
- i. Mikä on tuotestrategianne tulevaisuudessa?

## **Resurssit ja Kompetenssit**

### **4. Taloudelliset resurssit ja kompetenssit**

- a. Onko teillä ollut ongelmia kerätä rahoitusta yrityksellenne?
  - i. Miksi/ Miksi ei?
  - ii. Jos kyllä? Minkälaisia ongelmia? Mihin rahoitusongelmat ovat vaikuttaneet yrityksessänne?
- b. Ovatko taloudelliset resurssinne olleet riittävät yrityksellenne?
- c. Miten olisitte hyötynneet yrityksenä, jos teillä olisi ollut enemmän taloudellisia resursseja käytössänne?
  - i. Mitä mahdollisuuksia se olisi antanut?
  - ii. Olisiko liiallisista taloudellisista resursseista ollut haittaa?
- d. Mitkä ovat olleet ja ovat tällä hetkellä tärkeimmät rahoituksenne lähteet?
  - i. Miten olette päätyneet käyttämään kyseisiä lähteitä?
  - ii. Ovatko rahoituslähteet muuttuneet kansainvälistymisprosessinne aikana? Uusia sijoittajia?
- e. Mielestänne, rajoittavatko taloudelliset resurssinne yrityksenne mahdollisuuksia luoda ja markkinoida tuotteitanne?
- f. Jos ensimmäinen tuotteenne ei olisi menestynyt markkinoilla, olisiko teillä ollut riittävästi resursseja kehittää toinen tuote tai muokata ensimmäistä vai olisiko epäonnistuminen johtanut konkurssiin?
- g. Ovatko taloudellisten resurssien pääkäyttökohteet muuttuneet kansainvälistymisprosessinne aikana, esimerkiksi tuotekehityksestä markkinointiin?

### **5. Henkilöstöresurssit / Ulkoiset Henkilöstöresurssit**

#### *Haastateltavan ominaisuudet*

- a. Minkälainen koulutus ja kokemustausta teillä oli ennen tämän yrityksen perustamista?

- i. Yrityspuolelta?
- ii. Koulutustausta?
- iii. Oletko kouluttanut itseäsi yrityksen perustamisen jälkeen?
  - 1. Minkälaista koulutusta?
  - 2. Mitkä ovat olleet koulutuksen hyödyt?
- iv. Onko teillä aikaisempaa kokemusta yrityksen perustamisesta?
- v. Minkä takia perustitte yrityksenne?
- vi. Onko teillä aikaisempaa kokemusta yrityksen laajentamisesta kansainvälisille markkinoille?
- vii. Mielestänne, oliko kokemustastanne riittävä perustaaksenne tämän yrityksen ja viedä se kansainvälisille markkinoille?
- b. Minkälainen kokemustausta ja koulutustausta on muilla yrityksen perustajilla ja johtajilla?
  - i. Yrityspuolelta
  - ii. Kansainvälisen liiketoiminnan kokemusta
  - iii. Koulutustausta
  - iv. Yrittäjäyystaustaa
- c. Henkilökohtaisia mielipiteitä
  - i. Ovatko mielestänne kansainväliset/globalit markkina yksi iso markkina-alue teidän yrityksellenne?
  - ii. Oletko markkinoiden kansainvälistymisen/globalisaation kannalla?
  - iii. Mitkä luonteenpiirteet ovat tärkeitä johtaakseen nopeasti kasvavaa ja kansainvälistyvää yritystä?
  - iv. Kuinka kuvailisit itseäsi yrittäjänä?

#### *Henkilökunta*

- a. Onko teillä ollut ongelmia löytää ja palkata taitavaa henkilökuntaa?
  - i. Ovatko taloudelliset resurssinne vaikuttaneet kykyynne palkata henkilökuntaa? Miten?
- b. Minkälaista koulutus- ja kokemustaustaa työntekijöillänne yleisesti on?
- c. Työntekijämäärästänne, miten se jakautuu eri osastoille, kuten tuotekehitys, markkinointi yms.
  - i. Onko tämä jako muuttunut kansainvälistymisenne aikana?
- d. Tekeekö yrityksenne jotain erityistä esim. onko teillä tiettyjä prosesseja joita käynte läpi tuotekehityksessä tai markkinoinnissa, jotta yrityksenne tiedot ja taidot ja innovaatiomahdollisuudet ovat parhaimmalla tavalla hyödynnetty?
- e. Vaikuttaisiko yritykseenne merkittävästi yhden tärkeän työntekijän lähtö yrityksestänne?
  - i. Olisiko vaikeaa paikata esim. tärkeän johtohenkilön lähtö yrityksestänne?
- f. Uskotteko että yrityksenne nykyisellä johdolla on tarvittavat tiedot ja taidot viedä yrityksenne globaaleille markkinoille?
- g. Onko yrityksenne perustajien ja johdon kokemus / kokemattomuus vaikuttanut kansainvälistymiseen? Miten?

### *Ulkoiset Henkilöstöresurssit*

- a. Käyttääkö yrityksenne ulkoisia henkilöstöresursseja täydentääkseen nykyisen johdon ja henkilökunnan tietoja ja taitoja?
  - i. Minkälaisia ulkoisia henkilöstöresursseja?
  - ii. Konsultteja, sijoittajien tietoja ja taitoja yms.?
- b. Minkä takia käytätte ulkoisia henkilöstöresursseja?
- c. Mitä teidän yrityksenne hyötyy siitä?
- d. Mikä on mielipiteenne niiden käytöstä? Onko se pakollista vai onko se mahdollisuus?

### *Markkinointi*

- a. Rajoittavatko taloudelliset resurssinne yrityksenne mahdollisuuksia tehdä tehokasta markkinointia?
- b. Onko yrityksellänne tarvittavat tiedot ja taidot tehdä tehokasta markkinointia?
- c. Käytetäänkö ulkopuolisia partnereita/verkostoja helpottaaksenne markkinointia?
- d. Minkälaisia markkinointikanavia yrityksenne käyttää?
- e. Otatteko toistuvasti yhteyttä asiakkaisiin, pitääksenne asiakassuhteen kunnossa?
- f. Yritätkö aktiivisesti ottaa yhteyttä mahdollisiin uusiin asiakkaisiin?
- g. Uskotteko, että pienenä yrityksenä joudutte tekemään paljon enemmän työtä kuin suuret yritykset, jotta olisitte näkyvämpi markkinoilla ja houkuttelisitte asiakkaita?

## **6. Teknologiaresurssit**

- a. Ovatko yrityksenne taloudelliset resurssit vaikuttaneet mahdollisuuksiinne tehdä tuotekehitystä?
- b. Oletteko ulkoistaneet mitään osia tuotekehityksestänne tai tuotannosta?
  - i. Miksi/ Miksi ette?
  - ii. Mitkä osat?
  - iii. Mitä hyötyjä ja haittoja olette kohdanneet?
  - iv. Miten tulevaisuudessa, voisitteko ulkoistaa osia tuotekehityksestänne?
- c. Kuinka suojelette tuotteitanne? Oletteko esimerkiksi patentoineet tuotteitanne tai teknologioitanne?
  - i. Miksi/ Miksi ette?
  - ii. Jos ulkoistaneet toimintoja: Onko ulkoistaminen vaikeuttanut tuotteidenne suojelemista? Miten olette selvittäneet tämän ongelman?
- d. Oletteko pystyneet käyttämään alkuperäistä innovaatiotanne useissa tuotteissa?
  - i. Jos kyllä: Miten tämä on vaikuttanut yrityksenne suoritukseen?
  - ii. Jos ei: Miksi ette ole, ja miten se on vaikuttanut yritykseenne?



- e. Onko kehitys kommunikaatioteknologioissa vaikuttanut yritykseenne ja sen kansainvälistysprosessiin? Miten?
  - i. Miten tulevaisuudessa, miten teknologioiden kehittyminen vaikuttaa teidän liiketoimintaanne? Antaako se mahdollisuuksia vai tuoko se lisää haasteita?
- f. Kuinka hyödynnätte internetiä yrityksenne liiketoiminnassa? Esimerkiksi, markkinointi- tai myyntikanavana?
  - i. Jakelukanavana?
  - ii. Miten internetin kehitys on vaikuttanut teidän liiketoimintaanne?
  - iii. Mitkä ovat sen hyödyt ja haitat liiketoiminnallenne?
- g. Onko ollut jotain tiettyjä teknologia innovaatioita jotka ovat vaikuttaneet liiketoimintaanne merkittävästi?

## 7. Ulkoiset verkostot

- a. Ovatko yrityksen perustajien ja johtajien kontaktiverkostot helpottaneet yrityksenne kansainvälistymisprosessia? Miten?
- b. Teettekö yhteistyötä ulkoisten partnereiden kanssa tai luotteko strategisia alliansseja markkinoinnissa, tuotekehityksessä, jakelussa tai tuotannossa?
  - i. Mitkä ovat hyödyt ja haitat? (matalammat riskit kansainvälistyä, joustavuus, markkinatieto)
  - ii. Keitä ovat teidän partnerit ja kuinka he auttavat teitä liiketoiminnassanne?
  - iii. Oletteko esim. saaneet ehdotuksia kuinka tuotteitanne pitäisi kehittää? Oletteko toteuttaneet kyseisiä ehdotuksia?
- c. Onko teillä läheiset suhteet ulkoisiin partnereihinne, esimerkiksi alihankkijoihin tai asiakkaisiin?
  - i. Miksi/ Miksi ei?
  - ii. Mitkä ovat hyödyt ja haitat?

## 8. Yrityksen kompetenssit

- a. Mitkä ovat olleet mielestänne yrityksenne tärkeimmät resurssit ja kompetenssit kansainvälistymisprosessissanne? Mitkä ovat olleet yrityksenne tärkeimmät taidot?
- b. Oletteko asettaneet tiettyjä resursseja kansainvälisiin operaatioihinne?
  - i. Mitä ja Miksi?
- c. Mitä resursseja ja kompetensseja yrityksestänne on puuttunut tai olisitte tarvinneet enemmän kansainvälistymisprosessissanne?
- d. Onko eri resurssien ja taitojen painotus yrityksessänne muuttunut kansainvälistymisprosessinne aikana? Esimerkiksi tuotekehityksestä markkinointiin?
- e. Mielestänne, mistä yrityksenne kilpailukyky kansainvälisillä markkinoilla tulee? Miksi olette parempia kuin kilpailijat? Oletteko parempia esimerkiksi:
  - i. Tuotekehityksessä
  - ii. Tuotannossa
  - iii. Myynnissä ja markkinoinnissa

- iv. Logistiikassa
- v. Johtamisessa
- vi. Alhaisemmat kustannusrakenteen (kustannustehokkuus)
- vii. Jotain muuta?
- f. Oletteko pystyneet rakentamaan kestäviä kompetensseja, joiden avulla olette saavuttaneet kilpailuetua nyt ja mahdollisesti tulevaisuudessa?
- g. Onko yrityksenne pystynyt kilpailemaan isompia yrityksiä vastaan?
  - i. Pystyvätkö saman alan suuret yritykset (jos niitä on) tekemään jotain sellaista mitä teidän yrityksenne ei voi tehdä, esimerkiksi resurssien puuttumisen vuoksi? Mitä ja miksi?
- h. Tekisittekö jotain nyt toisin, jos perustaisitte yrityksenne nyt?

Onko jotain muuta tärkeää, jota olen unohtanut kysyä?

*Appendix 5: General Interview Questions (English translation)*

**1. Interview Details**

- a. Date of interview
- b. Name and position of the interviewee
- c. Telephone number of the interviewee
- d. Email of the interviewee

**2. Company Details**

- a. Can you briefly describe your company?
  - i. Company name
  - ii. Year of establishment
  - iii. Industry
  - iv. Number of employees
  - v. Products

**3. International Expansion**

*The company's Internationalization history*

- a. Year and mode of first international expansion?
  - i. What were the markets that your company internationalized first?
  - ii. Why did you choose those markets?
- b. What has been the mode of entry to international / global markets after the first expansion?
  - i. When did the second stage of international expansion start? (if there has been a second stage)
  - ii. If there is a change from the first expansion: Why did you change your strategy?
- c. Why is your company expanding internationally/globally?
- d. Has the small markets in Finland affected your decision to internationalize?
  - i. Are R&D costs too big compared to sales potential in Finland for example?
- e. Did you have a specific objective to expand your company to international markets, from the inception of the company?
  - i. How this was taken into consideration when you developed your products?
  - ii. Or in other company's operations?
- f. Has the shortening of product life-cycles influenced your decision to internationalize?
- g. Has the overall globalization of the markets influenced your company's internationalization process? How?
- h. Has the increased adoption of IT in all around the world influenced your company's internationalization process? How?
- i. Are there any other specific reasons that have influenced your decision to internationalize?



- j. Currently what is your level of foreign sales? (internationally and globally)
- k. Number of markets the company operates globally?
  - i. Countries and years of entry
  - ii. Do you have a clear goal to expand your operations clearly outside Europe?
- l. Are there any specific reasons why your company has chosen the markets you currently operate in?
  - i. Size of the markets, Customer availability
  - ii. Accessibility (Proximity of the markets)
  - iii. Market information
  - iv. Other Reasons?
- m. Have you been able to use for example the market information gathered from the markets you already operate in, in your internationalization process?
- n. Most important market currently and why?
  - i. What about the future markets?
  - ii. Are the markets changing? How?
  - iii. How does that affect your business?
- o. Is there a market where most of the innovations happen and where are the most important customers/competitors represented, skillful workforce etc.
- p. Who are your competitors? Are they also SMEs or are there also larger companies?
- q. Has the pace of the internationalization process of your company been as planned?
  - i. Why or Why not?
- r. What kind of benefits and challenges have you faced in your internationalization process?
  - i. How have you survived from these challenges?
- s. How well would you say your firm is doing at the moment? (global markets, overall opinion)
- t. In your opinion, are you getting enough revenues from your international operations in relation to domestic operations?
- u. Is your company currently profitable?
  - i. Would it be possible to be profitable without international operations and customers?
- v. What is your internationalization strategy in the future? What are your future goals for the company?

#### *Product Strategy*

- a. Do you sell standardized or adapted products or both?
  - i. Why?
  - ii. Benefits / Challenges?
- b. For what markets your products have been designed in the first place? (Was there a specific market in mind when designing the products?)

- c. Do you operate in niche markets?
  - i. Why or Why not?
  - ii. What are the benefits/challenges for your company operating in niche markets?
- d. Do you think that being the first in the markets is important for your company?
  - iii. Why or Why not?
- e. Have you been among the first in the markets with your current or previously launched products?
- f. When you launched your first products did you have direct competitors?
- g. Was your initial product already “ready” before you established your company?
- h. In your opinion has your timing of the product launches been optimal?
- i. What is your product strategy in the future?

## **Resources and Competencies**

### **4. Financial Resources**

- a. Have you had any problems of accessing finance for your company?
  - i. Why or Why not?
  - ii. If yes: What kind of problems?
- b. Have the financial resources that you have gathered been enough for your company?
- c. What would have been the benefits for your company if you would have had more financial resources in your possession?
  - i. What would have been the opportunities?
  - ii. Would there be any problem or challenges if you would have had too much of financial resources?
- d. What have been/ are the major sources of finance for your company?
  - i. Why have you used these sources?
  - ii. Have the sources of finance changed during your internationalization process?
- e. Do you think that the financial resources restrict your company’s ability to create and market your products/services?
- f. If the introduction of your first product would have failed (no customers, for instance) would you have able to recover (create a new product or modify the old one) or would it have resulted in a bankruptcy?
- g. Have the targets of financial resources changed during the internationalization process, from human resources (hiring and R&D) to marketing for instance?

### **5. Human Resources / External Human Resources**

#### *Founders’/Interviewee’s Characteristics*

- a. How would you describe your background and experience before establishing this company? / before coming to work for this company?

- i. What was your business experience before establishing your company? / before coming to work for this company
- ii. What was your academic experience before establishing your firm? / before coming to work for this company?
- iii. Have you educated yourself or attended in training after the establishment of this company?
  - 1. What kind of education / training?
  - 2. Have there been any benefits?
- iv. If the interviewee is a founder or knowledge of the founder's experience:
  - 1. Do you have any prior experience of setting up a firm?
  - 2. What made you decide to establish this company?
- v. Do you have any previous experience of expanding a company internationally?
- vi. Do you think that your previous experience and your academic education was enough to establish this company and expand it internationally/globally?
- b. What kind of background and international experience do the other founders and managers have?
  - i. Academic experience?
  - ii. Work experience?
  - iii. Any entrepreneurial experience?
- c. Personal opinions
  - i. Do you think that currently the international/global markets are one big market for your company?
  - ii. Do you personally have positive attitudes towards internationalization/globalization?
  - iii. What personality trait is the key to running a rapidly expanding small business?
  - iv. How would you describe yourself as an entrepreneur? (if a founder)

#### *Personnel*

- a. Have you had any problems of finding and hiring skillful personnel?
  - i. Have the financial resources influenced your ability to hire personnel? How?
- b. What kind of background your personnel have in overall:
  - i. Education, language skills, international business experience?
  - ii. Do you emphasize specific skills or knowledge for instance?
  - iii. When hiring new personnel do you keep in mind the requirements of international business?
- c. About the employees: How much people work in R&D, sales etc... from your total number of employees?
  - i. Has this changed during the internationalization process?



- d. Does your company do anything specific to foster the knowledge and innovation derived from your human resources that your company possesses?
  - i. Are there any specific ways of doing R&D or marketing, for instance in your company that would create excellent innovations or marketing capabilities?
- e. Do you think that a one employee deciding to leave the company would affect the company's performance significantly?
  - i. Would it be too difficult to fill his/her place in the company?
- f. Do you think that the company's current management team has the necessary knowledge and skills to globalize your company?
- g. Has the experience or the lack of it influenced your internationalization process? How?

#### *External Human Resources*

- a. Do you use external human resources to complement the skills and knowledge of your current personnel and management team?
  - i. What kind of external human resources?
  - ii. For example consultants, venture capitalists?
- b. Why you use/ do not use external human resources?
- c. What is the benefit?
- d. What is your opinion of using external human resources to support your company's own human resources?
  - i. Is it a necessity or a blessing?

#### *Marketing*

- a. Do the financial resources restrict your company for doing effective marketing?
- b. Does your company have the necessary skills for doing effective marketing?
- c. Do you use external partners/networks to facilitate your marketing activities?
- d. What kind of marketing channels your company uses?
- e. Do you frequently contact your existing customers and potential customers to create customer value?
- f. Do you think that as a small company you need to do more work than the bigger companies that you would be more noticeable in the markets and you would be able to attract more customers?

### **6. Technological Resources**

- a. Have the financial resources of your company influenced your possibilities to do R&D and or increased the capabilities in production, for instance?
- b. Are you outsourcing any part of your R&D or production?
  - i. Why / Why not?

- ii. What parts? (if not the entire production chain)
  - iii. Benefits / Challenges?
  - iv. In the future, would you outsource some part of your R&D, for instance?
- c. How do you protect your products? Have you for example patented your products?
  - i. If the company is outsourcing: Does outsourcing make protecting your products more difficult? How have you overcome this problem?
- d. Have you been able to use your initial innovation in a number of products?
  - i. If yes, how this has affected your company's performance?
  - ii. If no: Why? How this has affected your company's performance?
- e. Has the advances in communications technologies affected your company? How?
  - i. In the future, do the advances in different technologies have an affect to your business? Do they give opportunities or do they bring challenges?
- f. How do you utilize Internet in your company's activities? As a sales and marketing channel, for instance?
  - i. If a software firm: As a distribution channel?
  - ii. Has the Internet affected your ways of doing business?
  - iii. Benefits / Challenges?
- g. Have there been any other innovations that have affected your company significantly?

## **7. External Networks**

- a. Have the company's founders' and managers' contact networks facilitated the internationalization process of your company? How?
- b. Do you collaborate with external partners or create strategic alliances in marketing, R&D, distribution or production?
  - i. Benefits/challenges? (Lower internationalization risk, flexibility, market information etc.)
  - ii. Who are your partners and how they help your operations?
  - iii. For example, have your partners suggested any development proposals for your products? Have you implemented any of these suggestions?
- c. Do you have close relationships with your external partners, for example with your suppliers?
  - i. Why or Why not?
  - ii. Benefits/challenges?

## **8. Company's competencies**

- a. What are the most important resources and competencies in your company's internationalization process in your opinion? What are the most important skills?

- b. Have you focused specific resources to your international operations?
  - i. What and Why?
- c. What resources and competencies your company has lacked/would have needed more in your internationalization process?
- d. Has the emphasis of different resources and skills shifted during your internationalization process? For example from R&D to marketing?
- e. In your opinion, where does your competitive advantage in the international markets base on? Why you are better than your competitors? For example in:
  - i. Creating innovative products (R&D)
  - ii. Production
  - iii. Sales and marketing
  - iv. Logistics (distribution)
  - v. Management
  - vi. Low cost structure
  - vii. Something else?
- f. Have you been able to create durable competencies that have created competitive advantage now and potentially in the future as well?
- g. Has your company been able to compete against larger players?
  - i. Are they doing something that your company cannot, for example because of the lack of resources? What and Why?
- h. Would you do something differently, if you would start your company now?

Is there something I have forgotten to ask which could be important?